

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

GOVERNMENT SERVICES COMMITTEE

Tuesday, October 27, 2009
Roughrider 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, Larry Bellew, Randy Boehning, Kari L. Conrad, Glen Froseth, Bette B. Grande, Karen Karls, Ralph Metcalf, Louise Potter, David S. Rust, Blair Thoreson, Dave Weiler, Alon C. Wieland; Senators Dick Dever, Robert M. Horne, Elroy N. Lindaas, Carolyn Nelson

Members absent: Representative Michael R. Nathe; Senator Richard Marcellais

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

Representative Lisa Wolf, member of the Legislative Management, was also in attendance.

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

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

Chairman Svedjan informed the committee that funding is available if the committee chooses to hire a consultant to assist it with the study of state employee compensation.

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

Chairman Svedjan called on Mr. Ken Purdy, Human Resource Management Services, who presented information regarding salary increase distributions, determination of point values in the classification system, Central States Compensation Association survey results, and results of exit interviews conducted by selected state agencies. A copy of the information presented is on file in the Legislative Council office.

Mr. Purdy said of the 7,689 regular employees, 7,263 received general salary increases. He said the average general increase was 5.17 percent, the minimum general increase received by an employee was .10 percent, and the maximum general increase received by an employee was 13.7 percent. He said employees did not receive general increases if they were on probation or had disciplinary issues.

Mr. Purdy said of the 6,750 eligible employees, 4,527 received salary equity increases. He said the average equity increase was 3.18 percent, with the

minimum equity increase given to an employee being .02 percent, and the maximum being 24.28 percent.

In response to a question from Representative Rust, Mr. Purdy said Human Resource Management Services provided an equity distribution plan to each agency. He said agencies had the option of accepting the plan, modifying the plan, or developing their own plan. He said all plans were approved by the Office of Management and Budget.

In response to a question from Representative Wieland, Mr. Purdy said the personnel system was created in 1975 and the employee classification system was developed in 1982 with updates in 1987 and 1999. He said the pay structure was revised in 1999 reducing the number of pay grades from 45 to 20. He said the point factor system used for the classification system is comparable to evaluation systems used by private and other public entities.

In response to a question from Senator Dever, Mr. Purdy said action taken by the 2009 Legislative Assembly changed over 230 positions at Workforce Safety and Insurance from being unclassified positions to the employee classification system. He said the majority of employees have been classified; however, 41 positions in 31 classes are still being reviewed.

Mr. Purdy said the equity increases and minimum \$100 general increases provided in July 2009 reduced the number of employees in the lower half of the salary ranges by moving employees higher into the salary range. He said in 2009, 61 percent of classified employees remained in the first and second quartiles, a decrease of 9 percent from 2008. He said the number of classified employees in the third quartile increased by 5 percent and the number of classified employees in the fourth quartile increased by 4 percent in 2009.

Mr. Purdy said pursuant to North Dakota Century Code Section 54-44.3-01, the purpose of the Human Resource Management Services division is to establish a unified system of human resource management and to govern the position classification and pay administration. He said pursuant to Section 54-44.3-01.1, it is the state's policy to establish equitable, nondiscriminatory compensation relationships among all positions and classes.

In response to a question from Representative Grande, Mr. Purdy said he will provide clarification on terminology used in Section 54-44.3-01 relating to merit and fitness for a position.

Mr. Purdy reviewed the components used to evaluate positions for classification. He said knowledge and skills, complexity, and accountability factors are applied to every position. He said working condition hazards are applied on a limited basis as not all positions have hazardous working conditions. He said each component is analyzed and awarded a point range. He said the points are totaled and placed in a point-to-grade conversion chart to determine the pay grade.

In response to a question from Representative Froseth, Mr. Purdy said appeals relating to position classifications can be made to the State Personnel Board. He said appeals have increased in the last few years due to the lag in compensation.

Mr. Purdy reviewed comparative paylines for classified employee salaries and market salaries for pay grades 1 through 10 and pay grades 11 through 20. He said jobs in grades 1 through 10 are generally entry-level positions which are compared to Job Service North Dakota market information. He said 169 benchmark jobs are used to develop the paylines. He said classified employee salaries are close to the midpoint for grades 3 through 6 but remain below the midpoint for grades 1 and 2 and 7 through 10. He said classified salaries remain below market salaries for all grades, although midpoint salaries are above market salaries for grades 1 and 8 through 10.

Mr. Purdy said jobs in pay grades 11 through 20 include more technical and management positions. He said employees in pay grades 11 through 20 have more opportunity to search beyond North Dakota for jobs. He said classified employee salaries in grades 15 through 20 are above the midpoint and above salaries in the three-state area, which includes Montana, South Dakota, and Wyoming. He said a review of Job Service North Dakota data and 10-state survey data indicates North Dakota classified employee salaries in grades 11 through 20 are lower than salaries for comparable positions in the 10-state survey and comparable jobs listed through Job Service North Dakota.

In response to a question from Representative Grande, Mr. Purdy said private employers are becoming more competitive with benefits packages. He said he will provide information at a future meeting comparing the state's benefit package to the 10-state survey group and the 3-state survey group.

Mr. Purdy reviewed the results of exit interviews from selected agencies. He said several people left state employment for an opportunity for jobs with more responsibilities or higher wages. He said the state needs to monitor the number of employees leaving state employment for higher wages. He said while the Department of Human Services and the Department of Corrections and Rehabilitation have experienced high turnover, the Information Technology Department has lowered its turnover rate with aggressive salary management.

Representatives Conrad, Weiler, and Wieland and Senator Nelson suggested the committee hear

presentations from Cass County, Microsoft Corporation, Basin Electric Power Cooperative, and neighboring states regarding their compensation systems.

Chairman Svedjan called on Ms. Sally Holewa, State Court Administrator, Supreme Court, who presented information regarding the judicial branch's compensation system. A copy of the information presented is on file in the Legislative Council office. She said the judicial branch has 342 full-time equivalent positions, including 44 district court judges, 5 Supreme Court justices, 34 nonclassified employees, and 259 employees classified through the judicial branch's classification system. She said the salaries for the classified employees are based on a salary system consisting of 51 job classifications and 23 salary grades. She said job classifications are developed and assigned salary grades through a formal evaluation process entitled the classification matrix system. She said the system establishes the relative value of jobs within the judicial branch providing a "job hierarchy," which is an internal ranking of positions from high to low. She said the judicial branch develops salary grade minimums and maximums based on an examination of external market influences to ensure the compensation system is both externally competitive and internally equitable.

Ms. Holewa said in addition to general salary increases provided by the Legislative Assembly, the judicial branch has used a step system since 1991 to move employees through their assigned salary range. She said step increases are provided to employees upon completion of the probationary period and upon the employee's odd anniversary date in a salary grade. She said assuming acceptable performance, an employee staying in the same salary grade would move from the salary grade minimum to the maximum after 19 years of employment. She said the step system is designed to hire persons with limited experience at the entry-level salary. She said salary increases are given as the employee gains knowledge and experience. She said internal equity is maintained because new employees start at the lowest step.

Chairman Svedjan called on Mr. Wayne Kutzer, State Director, Department of Career and Technical Education, who presented information regarding the agency's compensation system. A copy of the information presented is on file in the Legislative Council office. He said the Department of Career and Technical Education follows a performance-based salary compensation policy. He said each year during an employee's employment anniversary month, a formal appraisal is conducted based on the past 12 months. He said the employee is rated in eight categories on a scale of 0 to 5 with 5 being exemplary. He said based on the score, an employee is awarded no share or one, two, or three shares. He said each share is worth an \$18 per month salary increase. In addition, he said, those employees that

score the highest on their appraisals are eligible for up to a \$1,000 annual bonus.

Chairman Svedjan called on Colonel James Prochniak, Superintendent, North Dakota Highway Patrol, who presented information on the agency's compensation system. A copy of the information presented is on file in the Legislative Council office. He said the Highway Patrol utilizes a step system to provide employees salary compensation commensurate with performance. He said the step system for patrol officers consists of pay steps each year through 10 years of employment with a final increase in the 13th year of employment. He said the step system allows an employee to be 7 percent above the midrange salary at 13 years of employment. He said only 1 percent of Highway Patrol employees reach the fourth quartile of the salary pay ranges. Those are generally nonsworn civilian employees with 25 to 35 years of service.

In response to a question from Representative Boehning, Colonel Prochniak said troopers are paid overtime which is not considered part of their base salary when calculating increases.

In response to a question from Senator Nelson, Colonel Prochniak said there are areas on some Indian reservations where the Highway Patrol has limited jurisdiction. He said the Bureau of Indian Affairs or tribal police may call the Highway Patrol for additional services.

Chairman Svedjan called on Ms. Jodi Bjornson, Workforce Safety and Insurance, who presented information on the agency's compensation system. A copy of the information presented is on file in the Legislative Council office. She said Workforce Safety and Insurance conducts annual performance appraisals on all employees and utilizes a performance rating system to determine salary increases. She said increases are based on a six-tier sliding scale from 0 percent to 6 percent with higher scores receiving larger increases.

In response to a question from Representative Boehning, Ms. Bjornson said most Workforce Safety and Insurance employees were not affected by the agency's transition from nonclassified status to classified status. She said 31 classifications out of 237 are being reviewed.

Chairman Svedjan asked the Legislative Council staff to develop a list of potential consultants for the committee to consider using as part of its employee compensation study.

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

CAPITOL COMPLEX AND STATE FACILITIES STUDY

Chairman Svedjan called on Mr. John Boyle, Director, Facility Management Division, who presented information regarding the Capitol complex and state facilities study. A copy of the information presented is on file in the Legislative Council office.

He reviewed the capacity of the Capitol tower and judicial wing floors and the actual number of employees occupying each floor. He said based on a standard of 230 square feet per occupant, the Capitol tower is designed to house 537 employees. He said based on the same standard, the judicial wing is designed to house 453 employees. He said there are currently 596 employees in the Capitol tower and 506 employees in the judicial wing. He said based on these factors, there is a shortage of approximately 15,000 square feet in Capitol complex buildings.

Mr. Boyle reviewed the results of the 2009 space needs analysis. He said in addition to the employees housed in the Capitol tower and judicial wing, there are 569 employees housed in buildings on the Capitol complex, including 90 employees at the State Office Building, 375 employees at the Department of Transportation building, 61 employees at the Heritage Center, and 43 employees at the Liberty Memorial Building. In addition, he said, there are 1,141 employees in leased spaces throughout Bismarck and Mandan and 648 employees in buildings owned by state agencies, including the Bank of North Dakota, Workforce Safety and Insurance, Job Service North Dakota, and the Game and Fish Department.

In response to a question from Senator Nelson, Mr. Boyle said he would provide information at the next committee meeting regarding the disposition of land surrounding the Capitol which was previously owned by the state.

Mr. Boyle said the cost per square foot lease rate charged by the Office of Management and Budget to "non-general fund" agencies is \$8.97 for space in the Capitol, \$8.54 for space at the Heritage Center and the Liberty Memorial Building, and \$7.65 for space at the State Office Building. He said the cost per square foot for leased space in the Bismarck-Mandan area averages \$14 per square foot. He said the cost varies due to the location and condition of the space leased. He said the Department of Human Services pays \$16 per square foot at a location on Divide Avenue and \$11.66 per square foot at a location on Washington Street. He said state agencies anticipate paying \$8 million in leases in the Bismarck-Mandan area during the 2009-11 biennium.

Mr. Boyle reviewed the cost to maintain a state-owned building. He said the cost to maintain the Workforce Safety and Insurance building in fiscal year 2009 was \$696,205, or \$6.33 per square foot. He said the cost to maintain the Land Department building in fiscal year 2009 was \$32,579, or \$4.51 per square foot.

In response to a question from Senator Nelson, Mr. Boyle said he would provide information at a future committee meeting regarding space leased by state agencies throughout the state.

In response to a question from Representative Svedjan, Mr. Boyle said in determining whether to build a new state office building, the state should determine if a return on investment is needed for a

new building. He said if no return on investment is required, the estimated lease cost would be \$8 to \$9 per square foot for the operating costs relating to a building built on the Capitol grounds. He said a new building located off the Capitol grounds could be leased for \$4 to \$6 per square foot for operating costs depending on whether payments in lieu of taxes are required. He said buildings on the Capitol grounds are more expensive to maintain because of the services provided at the Capitol complex.

Mr. Boyle said the new Bank of North Dakota building cost approximately \$200 per square foot to build. He said it would cost approximately \$400 per square foot to construct a new building on the Capitol grounds due to the type of building and materials that would be needed for the building to match other buildings in the Capitol complex.

In response to a question from Representative Svedjan, Mr. Boyle said he would provide information at a future committee meeting regarding the square footage requirements if all general fund agencies were located on the Capitol complex and amount of rent paid by agencies in offsite locations that could be used for other purposes if the agency was located at the Capitol.

Representative Grande suggested the committee receive information at a future committee meeting regarding the square footage of the Heritage Center building and the cost of converting the building to office space and relocating the museum to another site.

Representative Weiler suggested the committee, at a future meeting, discuss the growth of state government. He said the population of North Dakota is not increasing but the number of state employees per capita is more than most other states.

In response to a question from Representative Svedjan, Mr. Boyle said the 2009 Legislative Assembly provided \$1.7 million for parking lot repairs. He said during a legislative session there is a shortage of approximately 200 parking spaces. He said 35 new parking spaces have been added to the judicial wing parking lot and the Facility Management Division plans to work with the Capitol Grounds Planning Commission to redesign the north parking lot for maximum efficiency. He said the Capitol complex master plan includes provisions for a covered parking deck to replace the west parking lot. He said the covered parking deck would cost approximately \$3 million and provide an additional 115 parking spaces.

Chairman Svedjan asked the Facility Management Division to provide additional information at a future committee meeting regarding potential parking lot improvements.

OTHER COMMITTEE RESPONSIBILITIES

Chairman Svedjan called on Mr. Lonnie Wangen, Commissioner, Department of Veterans' Affairs, who

presented information regarding county veterans' service officers. A copy of the information presented is on file in the Legislative Council office. He said North Dakota has 50 county veterans' service officers and 3 tribal officers. He said Griggs and Steele Counties, Stark and Dunn Counties, and Oliver and Morton Counties share officers. He said Ransom and Sargent Counties will begin sharing a service officer in January 2010. He said there are three state service officers employed by the department and five national service officers employed by specific veterans' organizations. He said annual salaries for county veterans' service officers range from \$1,823 in Slope County to \$62,165 for the Morton/Oliver officer.

In response to a question from Representative Grande, Mr. Wangen said each Indian tribe determines the need for a tribal veterans' service officer. He said American Indian veterans can seek assistance from county veterans' service officers.

In response to a question from Representative Grande, Mr. Wangen said he will provide information to the Legislative Council regarding the hours of operation for each county veterans' service office.

Mr. Wangen reviewed the services provided by county veterans' service officers. He said services are provided at no charge to the veteran. He said services provided include:

- Advising veterans and their dependents on federal benefits, including compensation and pension.
- Advising veterans and their dependents on state benefits, including loans and grants, veterans' preference, and tax exemptions.
- Assisting veterans with federal and state veterans' administration forms.
- Assisting veterans and their dependents in obtaining health care, mental health care, education benefits, housing, and death benefits.
- Outreach.
- Transportation.

Mr. Wangen said state service officers advise local veterans and their dependents of their rights and entitlements under various federal and state laws, counsel them, and actively assist them to complete necessary forms and obtaining documents and affidavits. He said state officers can act as a power of attorney to represent veterans and their dependents in claims to the federal Department of Veterans' Affairs to acquire benefits.

Mr. Wangen said national service officers serve as a liaison between the United States Department of Veterans' Affairs and the county and tribal officers. He said national officers can act as powers of attorney for veterans and present claims and information to the federal Department of Veterans' Affairs. He said national service officers represent the veterans and their dependents at appeals hearings. He said veterans are not required to belong to the veterans' organizations to obtain the services of a national service officer.

Mr. Wangen reviewed accreditation requirements for county veterans' service officers. He said the United States Department of Veterans' Affairs does not require county service veterans' officers to be accredited. He said accreditation requirements through the National Association of County Veterans Service Officers include the following:

- Complete initial accreditation training.
- Pass an examination.
- Attend contract training.
- Submit an application for accreditation.

Mr. Wangen said six county veterans' service officers have received accreditation through the National Association of County Veterans Service Officers, pursuant to provisions of Section 37-14-18. He said several county officers are accredited through veterans' organizations as follows:

- American Legion - Four county and state veterans' service officers accredited. Fifty officers applied for accreditation in October 2009.
- American Veterans - Six county veterans' service officers and assistants accredited.
- Disabled American Veterans - Nine county veterans' service officers and assistants accredited.
- Veterans of Foreign Wars - Twenty county veterans' service officers and assistants accredited.
- Vietnam Veterans of America - One county veterans' service officer accredited.

In response to a question from Representative Svedjan, Mr. Wangen said the Department of Veterans' Affairs typically offers two training sessions per year, each lasting two days. He said the 2009 spring training session was canceled due to flooding; therefore, he said the fall training session was extended to a full week.

In response to a question from Representative Svedjan, Mr. Wangen said the department is working with other states' directors to standardize the accreditation process for veterans' service officers. He said candidates receive training on a timely basis but it may take up to one year for the federal Department of Veterans' Affairs office to complete the paperwork and enroll the officer in the system.

Mr. Wangen reviewed the amount of federal funds received by counties relating to veterans' services. He said federal funds are received by service providers in the county or the veteran for compensation and pensions, education and vocational rehabilitation, insurance and indemnities, medical care, and treatment at Department of Veterans' Affairs health care facilities. He said in 2008 counties received an average "return on investment" of \$127 in federal funds for every \$1 spent by the counties on veterans' service officers.

Mr. Wangen reviewed the use of funds appropriated to the Department of Veterans' Affairs for accreditation services. He said a contract is being

negotiated with the National Association of County Veterans Service Officers for training to be held in Bismarck in April 2010.

Mr. Wangen reviewed a study of the structure of the county veterans' service officers completed by the University of Mary to determine if restructuring or consolidation of county veterans' service offices could increase operational efficiency and effectiveness for North Dakota. He said the study concluded that North Dakota should review the Montana organizational structure. He said the study did not review services provided to veterans. He said the study was presented to the Administrative Committee on Veterans' Affairs in February 2009 and the committee is considering conducting an additional study on services provided to veterans.

In response to a question from Senator Horne, Mr. Wangen said the department received \$20,000 from the 2009 Legislative Assembly to provide computers to county veterans' service officers. He said the department has provided laptop computers to 15 counties.

In response to a question from Representative Svedjan, Mr. Wangen said the department's emergency grant program receives funding from interest earned on the veterans' postwar trust fund. He said the Administrative Committee on Veterans' Affairs, based on a continuing appropriation, determines the allocation of interest earnings to various programs, including the emergency grant program. He said interest earnings for the 2009-11 biennium are anticipated to total only \$200,000, approximately 50 percent of previous bienniums. As a result, he anticipates the department's emergency grant program will not be able to fund all requests. He said the grant program will receive \$25,000 in December 2009 but has \$50,000 in grant requests. He said state statute allows the department to raise funds for the grant program, but the department does not have a fund to deposit donations or bequests. He said the department is working with the Office of Management and Budget, the State Auditor's office, and the Attorney General to develop a method for accepting and depositing additional funds.

Chairman Svedjan asked Mr. Wangen to present additional information regarding the emergency grant program at a future meeting.

Mr. Greg Remus, National Service Officer, Disabled American Veterans, said his organization is concerned that county veterans' service officers in the rural areas of North Dakota do not have the necessary training to provide adequate services to veterans. He said benefits related to exposure to Agent Orange have recently been approved at the federal level. He said veterans will not be made aware of these benefits if the county veterans' service officers do not learn of the benefits. He questioned the accuracy of the Department of Veterans' Affairs' county return on investment data. He said it is difficult to calculate the return on investment of county spending on county veterans' service officers since, in some small

counties, the county veterans' service officer provides limited services and refers veterans to a county veterans' service officer in a larger county to apply for benefits.

Representative Conrad suggested the committee receive testimony from the North Dakota Association of Counties regarding the level of funding available for county veterans' service officers at the county level and the possibility of regionalization of county veterans' service officers.

In response to a question from Representative Conrad, Mr. Wangen said he would provide information to the Legislative Council regarding the level of spending per veteran by each county.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Svedjan said the next meeting of the Government Services Committee is tentatively scheduled for Wednesday, December 16, 2009.

It was moved by Senator Lindaas, seconded by Senator Nelson, and carried on a voice vote that the committee adjourn subject to the call of the chairman.

The meeting adjourned at 4:20 p.m.

Becky Keller
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:1