

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

GOVERNMENT SERVICES COMMITTEE

Wednesday, October 27, 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, Glen Froseth, Bette B. Grande, Karen Karls, Michael R. Nathe, Louise Potter, David S. Rust, Blair Thoreson, Dave Weiler; Senators Dick Dever, Carolyn Nelson

Members absent: Representatives Larry Bellew, Kari L. Conrad, Ralph Metcalf, Alon C. Wieland; Senators Robert M. Horne, Elroy N. Lindaas, Richard Marcellais

Others present: Sara E. Chamberlin, Legislative Council, Bismarck

Representative Al Carlson, member of the Legislative Management, was also in attendance via telephone.

See [Appendix A](#) for additional persons present.

It was moved by Representative Grande, seconded by Representative Karls, and carried on a voice vote that the minutes of the September 30, 2010, meeting be approved as distributed.

CAPITOL COMPLEX AND STATE FACILITIES STUDY

Mr. John Boyle, Director, Facility Management Division, Office of Management and Budget, presented information ([Appendix B](#)) regarding the number of state employees located in the 20 largest leased office spaces. He said there are 1,307 state employees located in the 20 largest leased office spaces occupying 419,518 square feet of space. He said the average rent for the 20 largest leased spaces is \$11.59 per square foot.

Mr. Boyle presented information ([Appendix C](#)) on lease rates for 80,000 square-foot and 156,000 square-foot buildings on the Capitol grounds. He said estimated 2013 construction costs of \$300 and \$350 per square foot and 0 percent, 4 percent, 5 percent, and 6 percent rates of return were used in the lease rate calculations for each building. Lease rates ranged from \$22.94 per square foot to \$33.73 per square foot for a building that would cost \$300 per square foot to build and from \$25.44 per square foot to \$38.10 per square foot for a building that would cost \$350 per square foot to build. He said the estimated construction costs include a parking lot.

Mr. Tom Potter, Grand Forks, said agency rent paid to the state is not comparable to rent paid to a private landlord. He said the state is a service

organization that must strive to provide services at the lowest cost.

In response to a question from Representative Weiler, Mr. Potter said students in the finance program at the University of North Dakota could conduct a cost-benefit analysis of leasing versus constructing a new state office building.

Mr. Bob Savageau, coowner of the former Home Depot building in north Bismarck, said as an alternative to his group's offer to sell the building to the state for \$5 million, his group of investors is considering offering to lease the building to the state for \$16 per square foot. He said the lease term would be 20 years, and the state could obtain ownership of the building at the end of the lease.

It was moved by Representative Weiler, seconded by Representative Karls, and carried on a roll call vote that the committee recommend the 2011 Legislative Assembly, when reviewing issues relating to state agency space needs, consider information relating to the lease, purchase, or lease/purchase option for the former Home Depot building in north Bismarck as a potential solution for state agency space needs. Representatives Svedjan, Boehning, Froseth, Grande, Karls, Nathe, Potter, Rust, Thoreson, and Weiler and Senators Dever and Nelson voted "aye." No negative votes were cast.

CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY - HAY GROUP FINAL REPORT

Mr. Neville Kenning, Vice President, Hay Group, Los Angeles, California, distributed and presented the classified state employee compensation system study final report ([Appendix D](#)). He said the report includes an introduction, project objectives, executive summary, activities, key interview findings, component analysis, a summary of analyses, recommendations, and appendices. He said the analysis shows that, in the opinion of Hay Group, the current classified employee compensation plan is not broken and the recommendations for enhancement can be accomplished within the current plan. He said the plan has an appropriate mix of centralized policy setting by Human Resource Management Services (HRMS) and decentralized implementation within the agencies. He said Hay Group's recommendations focus primarily on creating internal equity and external

competitiveness within the classified employee compensation plan.

It was moved by Representative Thoreson, seconded by Representative Nathe, and carried on a roll call vote that the Government Services Committee accept Hay Group's final report of the classified state employee compensation system study. Representatives Svedjan, Boehning, Froseth, Grande, Karls, Nathe, Potter, Rust, and Thoreson and Senator Dever voted "aye." No negative votes were cast.

IMPLEMENTATION OF CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY RECOMMENDATIONS
Hay Group Proposal

Mr. Kenning presented a proposal ([Appendix E](#)) for the cost of assisting the state in the initial implementation of the recommendations relating to the classified state employee compensation system

study. The proposal provides details on the implementation of each Hay Group recommendation, including a summary of the initial work to be done, expected outcomes, the involvement of Hay Group or the state, the timing, and the associated cost. He said the proposed timeline provides for the initial implementation of the recommendations to be completed by April 2011, based on the assumption that work will begin by the end of November 2010. He said completing initial implementation by April 2011 ensures any estimated funding necessary for the 2011-13 biennium relating to full implementation would be available to the Legislative Assembly prior to adjournment of the 2011 legislative session. He said based on the outcomes of the initial implementation, funding for full implementation of the recommendations could be provided as a lump sum or through funding phases. The following chart summarizes the schedule Hay Group provided for the implementation of recommendations:

Recommendation Component	Involves		Timing	Fee
	Hay Group	State		
Compensation philosophy statement	X	X	Immediate	\$0
Methods to develop and determine classifications	X	X ¹	February to March 2011	15,000
Methods to minimize salary inequities within an agency and state government	X	X ²	November 2010 to April 2011	64,000 ³
Appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints	X	X ⁴	November 2010 to April 2011	105,000
Fringe benefits	⁵	X		0
Recruitment and retention tools	X	X	February to April 2011	5,000
Methods of developing and sustaining a consistent long-term salary increase administration policy	X	X	February to April 2011	9,000
Budget and appropriation process		X		0
Use of funding from accumulated savings resulting from vacant positions and employee turnover		X	February to April 2011	0
Total estimated cost				\$198,000

¹Hay Group estimates this component would include a few days of the state's time to meet with HRMS and agency directors.
²Hay Group estimates this component would include 15 days of the state's time spread over three months, if web-based job evaluation manager software is utilized. Without the software, this component will require more of the state's time.
³This cost estimate does not include the cost of job evaluation manager software, Hay Group estimates the first-year cost to be \$54,000 and a subsequent software licensing fee of \$27,000 each year thereafter.
⁴Hay Group will develop and conduct the customized salary survey. A relatively small amount of state time will be required to better understand the market and to provide data.
⁵Hay Group did not include implementation assistance with fringe benefits on the basis that Hay Group has sufficient benefits data in existing databases. If fringe benefits implementation assistance were to be requested, the associated cost would be \$45,000.

Ms. Pam Sharp, Director, Office of Management and Budget, commented on behalf of the Governor and the Office of Management and Budget (OMB). She said the Governor's office and OMB welcome the findings and recommendations included in the employee compensation study conducted by

Hay Group. She said there is, however, concern regarding the aggressive timeline in implementing Hay Group's recommendations and the lack of funding available to enter a contract with Hay Group for assistance with implementation of the recommendations.

Mr. Ken Purdy, Compensation Manager, Human Resource Management Services, said he is concerned with the increased workload on HRMS staff to assist in implementing Hay Group's recommendations, especially within the suggested timeline. He said the tasks may take longer than anticipated to complete. He said, however, that Mr. Kenning has reviewed the proposed workplan with HRMS, and HRMS is willing to work with Hay Group within the timeline proposed by Hay Group. He said HRMS will also need the cooperation and assistance of state agencies during the implementation process.

Ms. Laurie Sterioti Hammeren, Director, Human Resource Management Services, expressed appreciation to the committee for conducting the study, and HRMS is supportive of proceeding to implement Hay Group's recommendations. She expressed concern that without the purchase of the web-based job evaluation manager software discussed by Hay Group, significantly more staff time will be necessary to implement some of the recommendations. She said the cost of the software for the first year is \$54,000. Ongoing licensing fees are approximately \$27,000 in each subsequent year. She said HRMS does not have funding within the division's budget for the first-year costs of \$54,000.

Representative Froseth suggested delaying implementation of recommendations until the second year of the 2011-13 biennium.

Bill Draft to Implement Hay Group's Recommendations

Ms. Sara E. Chamberlin, fiscal analyst, Legislative Council, presented a bill draft [\[10259.0100\]](#) to implement recommendations from Hay Group's classified state employee compensation system study. She said the bill draft creates a new section to North Dakota Century Code Chapter 54-44.3 to place the updated compensation philosophy statement into statute, provides directives to OMB for the implementation of Hay Group's recommendations, and requires OMB to provide status reports on the implementation of the recommendations to the Appropriations Committees during the legislative session. She said an emergency clause is included in the bill draft to allow Hay Group's recommendations to be implemented by July 1, 2011; therefore, allowing the recommendations to be effective during the 2011-13 biennium rather than the 2013-15 biennium. She said the compensation philosophy statement has been updated based on comments made by OMB, HRMS, the North Dakota Public Employees Association, Hay Group, and committee members.

Senator Dever suggested the bill draft be changed to include status reports to the Budget Section after the legislative session.

Mr. Kenning commented on the bill draft. He suggested removing reference to compensation adjustments not being provided as a statewide percentage increase nor as part of a statewide equity pool. Regarding status reports during the legislative

session, he suggested a joint committee be formed during the legislative session to receive these reports.

It was moved by Representative Grande, seconded by Senator Nelson, and carried on a voice vote to amend the bill draft to add a section requiring OMB to report to the Budget Section on the status of implementation of Hay Group's recommendations during the 2011-12 interim.

Chairman Svedjan said a source of funding needs to be identified to allow Hay Group to begin the initial implementation process in November 2010. He said funding options include:

1. The Office of Management and Budget contract with Hay Group using funds within the agency's current budget authority or funding continued from the 2007-09 biennium.
2. The Office of Management and Budget request funding from the Emergency Commission's state contingencies appropriation and, if approved, proceed to contract with Hay Group.
3. The Legislative Council contract with Hay Group using funds remaining available for interim committee consultant contracts.

Representative Carlson suggested the committee consider recommending that the Legislative Council contract with Hay Group to begin the initial implementation process. He said the committee will need a full commitment from OMB and HRMS on the project. Ms. Sharp said OMB is committed to the project and recognizes the need for change. Ms. Sterioti Hammeren said HRMS is committed to the project and supports implementation of Hay Group's recommendations.

The legislative budget analyst and auditor said the Legislative Council has funding available to contract with Hay Group for initial implementation of the recommendations; however, the suggested purchase of the job evaluation software for \$54,000 may be not be paid by the Legislative Council.

In response to a question from Representative Svedjan, Ms. Sharp said OMB would review options available for OMB to purchase the job evaluation software to assist in the implementation of Hay Group's recommendations.

It was moved by Representative Grande, seconded by Representative Nathe, and carried on a roll call vote to further amend the bill draft to replace in Section 3 the status reports to the Appropriations Committees during the 2011 session with reports to a joint committee during the 2011 session and that the bill draft, as amended, relating to a compensation philosophy statement and implementation of changes to the classified state employee compensation system be approved and recommended to the Legislative Management. Representatives Svedjan, Boehning, Froseth, Grande, Karls, Nathe, Potter, Rust, and Thoreson and Senators Dever and Nelson voted "aye." Representative Weiler voted "nay."

It was moved by Representative Boehning, seconded by Representative Grande, and carried on a roll call vote that the Government Services Committee recommend the Legislative Management chairman enter a contract with Hay Group for up to \$198,000 to implement the proposed recommendations of the classified state employee compensation system study, subject to OMB's involvement in the project and the purchase by OMB of job evaluation software. Representatives Svedjan, Boehning, Froseth, Grande, Karls, Nathe, Potter, Rust, and Thoreson and Senators Dever and Nelson voted "aye." Representative Weiler voted "nay."

It was moved by Senator Dever, seconded by Senator Nelson, and carried on a voice vote that the Government Services Committee recommend the 62nd Legislative Assembly appoint a joint committee during the 2011 legislative session to receive reports from Hay Group and OMB on the status of implementation of changes to the classified state employee compensation system.

STATE ELECTED OFFICIALS' SALARY STUDY

Mr. Purdy presented information ([Appendix F](#)) regarding updated 3-state and 10-state comparisons of elected officials' salaries. He said the information presented is similar to information presented at the August 17, 2010, committee meeting but has been updated to include salaries effective July 1, 2010. He said North Dakota's elected officials' salaries on July 1, 2009, rank 5th for the Lieutenant Governor to 11th for the Agriculture and Tax Commissioners, when compared to other states, and on July 1, 2010, North Dakota's elected officials' salaries rank 3rd for the Lieutenant Governor to 9th for the Tax Commissioner. He said because several states did not provide salary increases for their elected and appointed officials in fiscal year 2010, the cost of adjusting North Dakota's elected officials' salaries to the median of the 10-state salaries decreased from \$177,316 per year based on 2009 salaries to \$141,254 per year based on 2010 salaries. He said increases based on 2010 salaries would range from .4 percent for the Secretary of State to 36.6 percent for the Superintendent of Public Instruction. He said the Lieutenant Governor is 7.7 percent above the 10-state median salary.

Mr. Purdy said if North Dakota's elected officials were compared only to those positions elected in other states, increases based on 2010 salaries would range from 2.7 percent for the Attorney General to 21.2 percent for the Insurance Commissioner.

Mr. Purdy presented information ([Appendix G](#)) regarding how other states provide for salary increases for elected officials. He said other states use various methods for providing for elected officials' salary increases, including statutory provisions, basing the salaries as a percentage of the Governor's salary, providing the same rate of increase as

provided to state employees, and legislative discretion.

Senator Dever suggested information regarding the 3-state and 10-state salary comparisons be provided to the Appropriations Committees during the 2011 Legislative Assembly.

OTHER COMMITTEE RESPONSIBILITIES

The Legislative Council staff presented a memorandum entitled [County Veterans' Service Officers](#). The memorandum summarizes information received from boards of county commissioners regarding the status of accreditation of county veterans' service officers pursuant to Section 37-14-18. She said 51 of the 53 counties responded to a survey conducted by the Legislative Council regarding the status of each county's veterans' service officers. Of the counties that responded, 43 responded that their county veterans' service officer is accredited through the National Association of County Veterans Service Officers as required by Section 37-14-18, 6 responded that their county veterans' service officer will be accredited at the next available opportunity, 1 gave no indication of when its veterans' service officer would be accredited, and 1 responded that it is in the process of consolidating with another county.

Mr. Lonnie Wangen, Commissioner, Department of Veterans' Affairs, Fargo, presented information ([Appendix H](#)) regarding the accreditation process for county veterans' service officers, including the number of officers currently accredited pursuant to Section 37-14-18, the agency or organization through which each officer is accredited, and an accountability report regarding the use of funds appropriated to the department for accreditation training. He said the National Association of County Veterans Service Officers provided accreditation training in April 2010 to 38 county veterans' service officers. He said five counties, including Billings, Eddy, Mercer, Slope, and Williams Counties, did not have a county veterans' service officer in attendance at the training. He said the next available accreditation training offered by the national association will be in June 2011 in Biloxi, Mississippi.

Mr. Wangen said the training provided by the national association in April 2010 cost \$14,000. He said \$6,000 of the \$20,000 appropriation provided by the 2009 Legislative Assembly remains available for accreditation training.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Weiler thanked Representative Svedjan for his service as chairman of the committee and for his dedicated years of service to the Legislative Assembly.

Chairman Svedjan thanked the committee for its work during the interim.

It was moved by Senator Dever, seconded by Representative Boehning, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill draft recommended by the committee and to present the report and recommended bill draft to the Legislative Management.

It was moved by Senator Dever, seconded by Representative Karls, and carried on a voice vote that the committee be adjourned sine die.

The meeting adjourned sine die at 1:50 p.m.

Becky Keller
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH: 8