

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### BUDGET COMMITTEE ON GOVERNMENT SERVICES

Thursday, March 2, 2000  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Aaron Krauter, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Senators Aaron Krauter, John Andrist, Bill L. Bowman, Ed Kringstad, Elroy N. Lindaas; Representatives April Fairfield, Pat Galvin, Robert Huether, James Kerzman, Matthew M. Klein, Myron Koppang, Chet Pollert, Janet Wentz, Lonny B. Winrich

**Members absent:** Senators Kenneth Kroeplin, John T. Traynor; Representatives Bette Grande, Roxanne Jensen, Wanda Rose, Ben Tollefson

**Others present:** See attached appendix

**It was moved by Senator Bowman, seconded by Senator Lindaas, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.**

#### BUDGET MONITORING

Mr. Rod A. Backman, Director, Office of Management and Budget, reviewed the status of the state general fund. Mr. Backman said the June 30, 2001, ending general fund balance is projected to be \$27.1 million, \$15.8 million more than the \$11.3 million ending general fund balance estimated at the close of the 1999 legislative session.

Mr. Backman said based on national estimates, and adjusting for the North Dakota economy, the Office of Management and Budget has estimated that due to North Dakota residents purchasing goods through the Internet approximately \$3 million per year of potential sales tax revenue is not collected. A copy of the report is on file in the Legislative Council office.

Ms. Roxanne Hobza, Legislative Council staff, presented a report entitled *Oil Tax Revenues, Oil Production, and Oil Market Prices for the 1999-2001 Biennium*. Ms. Hobza said in calendar year 1999, 37 oil wells were drilled in the state, of which 23 were producing wells.

Ms. Hobza said for the biennium-to-date through December 1999, oil and gas production tax collections have exceeded forecast by \$2 million, and oil extraction tax collections have exceeded forecast by \$2.3 million.

Ms. Hobza said while oil production this biennium has been approximately 194,000 barrels per month less than estimated, oil market prices have been substantially more than projected. She said in January 2000, the average price per barrel of oil was

\$22.79, \$11.67 more than the legislative estimate of \$11.12 per barrel.

The Legislative Council staff presented a memorandum entitled *Department of Human Services - Temporary Assistance for Needy Families (TANF) and Medical Assistance Expenditures*. The report compares actual to projected expenditures for TANF and Medicaid through January 2000. These expenditures totaled \$160.5 million, \$9.6 million or 5.67 percent, less than estimated expenditures of \$170.1 million. Of the \$9.6 million savings to date, \$2.8 million is from the general fund.

Mr. Joe R. Morrissette, Legislative Council staff, presented a memorandum entitled *Comparison of Estimated and Actual FTE Positions, Expenditures, Revenues, and Populations at Charitable and Penal Institutions for the Period July 1, 1999, Through December 31, 1999*. Mr. Morrissette said total expenditures at the charitable and penal institutions for this period were \$36,214,921, \$2,333,926, or 6.1 percent, less than estimated. Total revenues for the same period were \$12,388,124, \$1,559,849, or 11.2 percent, less than estimated. Mr. Morrissette said the total population for this period averaged 1,499.77, 82.23 individuals, or 5.2 percent, less than estimated. He said the average monthly FTE positions for these institutions totaled 1,532.25, 65.72 FTE, or 4.1 percent, less than authorized.

Mr. Morrissette presented a memorandum entitled *Status Report on Foundation Aid and Other Major Grants to School Districts*. Mr. Morrissette reviewed expenditures compared to estimates for foundation aid and other major grants. Mr. Morrissette said primarily due to the number of students being less than estimated, approximately \$1.1 million is currently estimated to be unspent at the end of the biennium in the foundation aid program. Mr. Morrissette said the 1999 Legislative Assembly in Senate Bill No. 2162 provided that if any funds appropriated for foundation aid remain unspent at the end of the 1999-2001 biennium, the Superintendent of Public Instruction shall distribute the remaining funds as follows:

1. The first \$1 million as supplemental payments on the basis of average daily membership.
2. The second \$1 million to assist school districts that have experienced declining enrollment.

3. The next \$2 million to school districts eligible to receive reorganization bonuses pursuant to Senate Bill No. 2441.
4. Any remaining amount as supplemental payments on the basis of average daily membership.

Ms. Hobza presented a memorandum entitled *Comparison of Estimated and Actual Expenditures, Revenues, and Enrollments at the Institutions of Higher Education for the Period July 1, 1999, Through December 31, 1999*. Ms. Hobza said the expenditures at the institutions of higher education for this period totaled \$113,731,883, \$4,721,181, or four percent, less than estimated expenditures of \$118,453,064. Income for the six-month period totaled \$40,129,124, \$1,381,697, or 3.6 percent, more than estimated income of \$38,747,427. Ms. Hobza said that headcount enrollment at all institutions totaled 34,291 students, 718 or 2.1 percent, more than estimated enrollment of 33,573 students.

### **STATE AGENCY OFFICE SPACE NEEDS**

Mr. Dave Krabbenhoft, Office of Management and Budget, presented a proposed budget request form agencies will complete to provide information on the possibility of locating state employees or state agency functions away from a central office setting.

Mr. Krabbenhoft reviewed the budget form that agencies will complete for requested new positions and for requested vacant positions that are pending reclassification. He said sections of the form that each agency will complete will provide information on:

1. Job tasks suitable for telecommuting.
2. Benefits and assets required to locate a position outside of a central office setting.
3. Cost comparisons.
4. In-kind contributions available.
5. Current available space to house the position in the central office.

A copy of the proposed form is on file in the Legislative Council office.

Mr. Krabbenhoft reviewed information on other states that have implemented a telecommuting program including Minnesota, Arizona, Colorado, and California and the province of Saskatchewan. He said the programs are designed to encourage employees of the state to "telecommute." He said benefits of these programs include reduced traffic congestion, reduced need for office space, expanded employee recruiting base, and improved employee productivity and morale.

Mr. Krabbenhoft said to determine whether an employee is eligible for telecommuting, these other states identify the job tasks that may be accommodated by telecommuting.

Mr. Krabbenhoft said the Central Personnel Division and Job Service North Dakota should be

involved in the planning and implementation of any telecommuting system for North Dakota.

Senator Krauter suggested changing the name of the form from *Satellite Employment* to *Telecommuting Employment* or something similar.

Senator Krauter said agencies should be required to complete a similar form when requesting new programs or new construction. Mr. Krabbenhoft said the Office of Management and Budget will design the form to also address requests for new programs and new construction.

Senator Andrist suggested that a method be developed to encourage agencies and employees to consider the telecommuting option.

Mr. Kevin J. Cramer, Director, Department of Economic Development and Finance, presented information that is available to use when evaluating the availability of space in rural communities to house state employees or state programs.

Mr. Cramer said the Department of Economic Development and Finance has a data base of available buildings across the state for locating potential jobs. He said the information is provided to the department by local development corporations.

Mr. Cramer provided examples of the information that is available in the department's data base. A copy of the report is on file in the Legislative Council office.

Mr. Brian Boppre, Director, Bottineau County Economic Development, commented on the possibilities of additional state government jobs in Bottineau. Mr. Boppre provided an example of an employee who is living in Bottineau and working for the Department of Human Services in the position of electronics benefits coordinator. He said the employee was originally working in Bismarck but since August 1999 has been telecommuting from Bottineau. A copy of his testimony is on file in the Legislative Council office.

Mr. Wade Williams, North Dakota Association of Counties, expressed support for the study and suggested the committee consider establishing pilot projects, possibly one in each quarter of the state, to determine the feasibility of providing state government services away from a central office setting. He suggested implementing the county treasurer's proposal for county administration of motor vehicle duties as a pilot project in four areas of the state.

### **STATE DEPARTMENT OF HEALTH FACILITIES PLAN**

Mr. Murray G. Sagsveen, State Health Officer, presented information on the status of the department's facilities plan. Mr. Sagsveen said the department's goal is to complete the project by May 15. He provided a copy of the architect's progress report for the facilities plan. Mr. Sagsveen said while the department currently occupies a total of 89,243 square feet, the architect's predesign study report indicates the department's space needs at a

total of 165,059 square feet. Mr. Sagsveen said that the architect projects this increase in space will be adequate for the department for at least 10 years. A copy of the report is on file in the Legislative Council office.

Senator Andrist expressed concern regarding the projected space needs of the department. He suggested the department consider options for reducing the estimated space needs, such as allowing appropriate personnel to telecommute or outsourcing select functions of the department.

Mr. Richard Riha, Burleigh County State's Attorney representing the North Dakota State's Attorneys Association, commented on the benefits and concerns of locating the state morgue and State Medical Examiner at the University of North Dakota School of Medicine and Health Sciences. Mr. Riha said the North Dakota State's Attorneys Association Executive Committee passed a resolution expressing support for retaining the state morgue and State Medical Examiner in Bismarck.

### COMMITTEE DISCUSSION

Chairman Krauter asked the Legislative Council staff to prepare a bill draft amending North Dakota Century Code Section 54-06-24 relating to the state employee suggestion incentive program to allow incentives to employees and departments that implement a telecommuting or outsourcing program. He said the bill draft will provide that an employee who telecommutes would be eligible for 20 percent of the first-year savings realized from the program up to \$2,000, the agency director would be eligible for 10 percent of the first-year savings up to a maximum of \$2,000, and the department would receive 20 percent of the first-year savings for providing merit increases for its employees.

Senator Andrist expressed support for the bill draft because it may encourage directors and employees to consider telecommuting and outsourcing.

Senator Bowman expressed concern that the savings generated from telecommuting or outsourcing will be used for providing incentives. He suggested the telecommuting program be established and incentives be offered later if necessary to encourage utilization.

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

### PRIVATIZATION

Mr. Tom Freier, Deputy Director, Department of Transportation, presented suggestions for criteria that should be used by state agencies when contracting for services. Mr. Freier said the Department of Transportation enters into many contracts each year including contracts with engineers, architects, information technology providers, rest area maintenance and janitorial service providers, training personnel, and others. He said the Department of

Transportation's legal division has created a contract manual for nonconstruction contracts. He said the manual includes the responsibilities of project managers.

Mr. Freier suggested the Legislative Assembly may wish to consider setting statewide policies or guidelines regarding:

1. When and how requests for proposals must or should be used.
2. When and how noncompetitive contracting may be used.
3. The allowable term of contracts.
4. When factors other than the low bid may be used in selecting a contractor.

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

Representative Winrich asked for suggestions on how agencies should determine whether to contract for a service or provide the service with its employees. Mr. Freier said departments need to continually review and monitor both services provided by state employees and services that are contracted with the private sector to determine the most cost-effective method of providing the services.

Ms. Brenda Weisz, Director, Fiscal Administration, Department of Human Services, presented suggestions for criteria that should be used by state agencies when contracting for services. Ms. Weisz said the Department of Human Services enters into approximately 800 contracts for services each year. She said although the state has not established specific guidelines for service contracting, the department has established internal policies to monitor contracts and to comply with federal regulations.

Ms. Weisz said the key policies and procedures that the department has developed internally for contracting include:

1. Bid requirement policies - Include requirements associated with seeking and evaluating bids.
2. Contract monitoring policies and procedures - Include guidelines for monitoring contracts and entities that receive grants under contract from the department.
3. Approval policies - Include guidelines for involving the appropriate individual to review potential contracts for services prior to development of the contract.

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

Chairman Krauter asked Ms. Weisz to comment on the arrangement involving a Department of Human Services employee located in Bottineau. Ms. Weisz said the employee was located in Bismarck but for personal reasons relocated to Bottineau. Ms. Weisz said because this person was a valued and trusted employee, the department and the employee agreed to continue the employment relationship with the employee located in an office in Bottineau. Ms. Weisz

said the cost related to this employee has increased slightly as a result of the office rent being paid in Bottineau and additional travel costs. She said the department believes the benefits of continuing the employment relationship with this employee is greater than the additional costs, but she said the department will continue to evaluate the arrangement.

Senator Bowman suggested the department and the employee be invited to comment to the committee at its next meeting on this arrangement.

Representative Fairfield asked whether the department establishes separate evaluation criteria for each contract. Ms. Weisz said generally the department will establish unique criteria for each contract that is based on applicable federal regulations.

### INDUSTRIAL COMMISSION

Mr. John P. Bluemle, State Geologist, Geological Survey, presented information regarding the Geological Survey mission and location and the history of the role and function of the Geological Survey. Mr. Bluemle said the Geological Survey shares rented office space and some support staff with the Oil and Gas Division of the Industrial Commission. He said the Geological Survey has a core and sample library located in Grand Forks on the University of North Dakota campus. He said core and samples from wells drilled for oil and gas are housed in the core library.

Mr. Bluemle said Geological Survey responsibilities include:

1. Regulating oil, well core, and samples stored at the core and sample library.
2. Regulating coal exploration but not production or reclamation.
3. Issuing permits for commercial geothermal installations such as those installed at schools and other public buildings.
4. Overseeing the collection of fossil resources on public lands and subsurface mineral production.
5. Evaluating the minerals on state land for the Land Department.
6. Studying the geology of rocks that produce oil and gas.
7. Identifying and evaluating other mineral resources such as clays, cement rock, gravel, salts, and ores.
8. Investigating the geological hazards relating to landfills, lagoons, etc.
9. Conducting other geological investigations.
10. Administering geographic information systems.
11. Digitizing county soil maps.
12. Providing information about North Dakota geology.

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

Senator Krauter questioned the value of the digitized soil maps. He asked the Geological Survey to provide information on the use of the digitized soil maps and the entities requesting the information included on the maps.

Representative Galvin asked for information on the research relating to Leonardite, a soil enhancement resource.

Mr. Tom Tudor, Executive Director, Municipal Bond Bank, provided information regarding the mission and location, the role of its advisory board, and the history of the role and function of the Municipal Bond Bank. Mr. Tudor said the purpose of the Municipal Bond Bank is to provide low-cost loans to North Dakota political subdivisions at favorable interest rates. He said loans are made with the proceeds of bonds issued by the Municipal Bond Bank under the following programs:

1. Capital financing program - Provides loans to political subdivisions for any purpose for which the political subdivision is authorized to issue municipal securities, except Municipal, Industrial, Development Act bonds.
2. State revolving fund program - Provides loans to political subdivisions for projects approved by the State Department of Health under appropriate state law and the federal Clean Water Act and Safe Drinking Water Act.

Mr. Tudor said each loan application is subject to initial credit review by the Municipal Bond Bank and is also subject to a separate credit review by the Bank of North Dakota. He said the Municipal Bond Bank financial advisor performs a market analysis for each loan which is conducted to determine whether the Municipal Bond Bank is the appropriate financing source for the loan. He said the loan application is then reviewed by the Municipal Bond Bank Advisory Committee, and a recommendation concerning the loan is made by the committee to the Industrial Commission. He said the Advisory Committee consists of three persons appointed by the Industrial Commission. A copy of the report is on file in the Legislative Council office.

Mr. Lynn Helms, Director, Oil and Gas Division, presented information on the mission and location and the history of the role and function of the Oil and Gas Division. Mr. Helms said the mission of the Oil and Gas Division is to encourage and promote the development, production, and utilization of oil and gas in this state in such a manner as to prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, royalty owners, producers, and general public realize the greatest possible good from these vital natural resources.

Mr. Helms reviewed the goals of the Oil and Gas Division which include:

1. Giving timely hearing, consideration, and processing of all forms and applications.
2. Communicating openly with the Industrial Commission.
3. Achieving clean audits, high employee morale and professionalism, and efficient use of division employees and assets.
4. Leading the division by maintaining good relationships with other state agencies, federal agencies, and the Legislative Assembly.

Mr. Helms reviewed the services provided by the Oil and Gas Division including:

1. Providing the geological and engineering expertise needed to create and enforce statutes, rules, regulations, and orders of the Industrial Commission pertaining to the drilling, development, and production of oil and gas, and the disposal of oilfield brines and other fluid wastes.
2. Acquiring, compiling, and analyzing geological, engineering, production, and reservoir data.
3. Providing field inspection and technical oversight for horizontal drilling, geophysical exploration, and measurement.
4. Computerizing geophysical exploration, production, and well information data for electronic storage and disseminating accurate data to industry, royalty owners, governmental agencies, and the public.

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

Representative Kerzman asked for the long-term forecast for oil production in North Dakota. Mr. Helms said the state oil resources should allow for oil production of between 90,000 and 100,000 barrels per day for 20 years.

Senator Krauter asked whether the Legislative Assembly should consider changing the Oil and Gas Division structure or statutory provisions. Mr. Helms said the current structure resulted from the 1981 Legislative Assembly's decision to divide the Oil and Gas Division and the Geological Survey into separate agencies. He said the current structure is appropriate and should continue. Mr. Helms believes the Industrial Commission has the appropriate membership to oversee the Oil and Gas Division.

Chairman Krauter asked the Legislative Council staff to provide the committee with the findings and recommendations included in the most recent audit reports of the Industrial Commission and its related entities.

### **COMMITTEE DISCUSSION**

Senator Bowman suggested the Legislative Council staff work with the Department of

Transportation to develop a proposed pilot project in four areas of the state that would involve county treasurers administering driver's license or motor vehicle licensing and registration programs.

Chairman Krauter indicated the Department of Transportation and county representatives will be asked to provide information on this proposal for the next meeting.

Representative Fairfield asked for a copy of the Minnesota law that addresses telecommuting when new capital construction projects are requested.

### **TOUR OF JOB SERVICE NORTH DAKOTA**

The committee traveled to Job Service North Dakota.

Ms. Jennifer Gladden, Director, Job Service North Dakota, welcomed the committee to Job Service. She said the Job Service state office building houses support systems for the local offices including information technology, finance and human resources, and program support services.

Ms. Gladden said Job Service now offers self-service options for its clients.

Mr. Ray Gudajtes, Job Service North Dakota, commented on the services provided by Job Service including unemployment insurance, dislocated worker office, new jobs training, and Work Force 2000. Mr. Gudajtes reviewed the Job Service office locations and staff. He said Job Service divides the state into four service areas and has 18 local offices across the state. A copy of the report is on file in the Legislative Council office.

Senator Krauter asked for information on funding since 1993 for the new jobs training program. Mr. Gudajtes said the information would be provided to the committee.

Mr. Tom Peterson, Job Service North Dakota, presented information on the program support services provided by Job Service. Mr. Peterson said program support services include employer and applicant services, labor market information, and the State Occupational Information Coordinating Committee. A copy of the report is on file in the Legislative Council office.

Senator Andrist asked for the types of information that Job Service collects on the availability of the work force in rural areas of North Dakota. Mr. Peterson said Job Service is conducting a pilot project in Hettinger and Bowman Counties to assess the job aptitude of available workers in these counties to provide to potential companies that wish to relocate or expand in this area.

The committee conducted a tour of the Job Service state office building.

The committee adjourned subject to the call of the chair at 4:30 p.m.

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Allen H. Knudson  
Assistant Legislative Budget  
Analyst and Auditor

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1