

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT SERVICES

Tuesday, December 14, 1999
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Aaron Krauter, Chairman, called the meeting to order at 8:30 a.m.

Members present: Senators Aaron Krauter, John Andrist, Bill L. Bowman, Ed Kringstad, Kenneth Kroeplin, Elroy N. Lindaas, John T. Traynor; Representatives Pat Galvin, Bette Grande, Robert Huether, Roxanne Jensen, James Kerzman, Myron Koppang, Chet Pollert, Ben Tollefson, Lonny B. Winrich

Members absent: Representatives April Fairfield, Matthew M. Klein, Wanda Rose, Janet Wentz

Others present: See attached appendix

It was moved by Senator Lindaas, seconded by Representative Koppang, 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, presented a report on the status of the state general fund. Mr. Backman said the June 30, 2001, ending general fund balance is projected to be \$32.7 million, \$21.7 million more than the \$11 million estimated at the close of the 1999 legislative session.

Mr. Backman said through November 1999, general fund revenues have exceeded the legislative forecast by \$3.36 million or 1.2 percent. A copy of the report is on file in the Legislative Council office.

The Legislative Council staff presented a memorandum entitled *Oil Tax Revenues, Oil Production, and Oil Market Prices for the 1999-2001 Biennium* which provides information on oil production and oil market prices. The Legislative Council staff said that through November, 22 oil wells have been drilled in calendar year 1999, 13 of which are producing wells. The Legislative Council staff said the average number of oil rigs in North Dakota in November 1999 was 16.

The Legislative Council staff said although the market price of oil in November was \$22.43 per barrel, \$9.50 more than the \$10.93 per barrel estimated by the 1999 Legislative Assembly, oil production continues to be lower than forecasted. The Legislative Council staff said in October 1999 oil production totaled 2.8 million barrels, 200,000 barrels less than projected oil production of three million barrels.

STATE AGENCY OFFICE SPACE NEEDS

The Legislative Council staff presented a memorandum entitled *State Agency Space Utilization and Needs* which summarizes the results of a survey of all state agencies regarding each agency's location, FTEs, job types, and dependence on technology. The memorandum also identifies potential agency functions that could be performed in a more rural area of the state. The Legislative Council staff presented the information in two formats, one organized by agency, and the other organized by county. The information includes a map of the state showing the number of state agencies and FTE positions located in each county across the state.

Mr. Curt Zimmerman, Director, Facility Management Division, Office of Management and Budget, presented a schedule of state agency leases by county. The schedule provides information on each lease, including the number of square feet leased, the annual rental payment, and the annual cost per square foot. Mr. Zimmerman said the statewide average annual cost per square foot of state agency leases is \$8.77. A copy of the report is on file in the Legislative Council office.

Chairman Krauter said the Budget Section, at its December 9, 1999, meeting, approved a motion asking the Office of Management and Budget to provide information in the executive budget on each agency's analysis of the feasibility of locating new FTE positions, new programs, or new capital construction away from the agency's central office setting.

The Legislative Council staff presented a memorandum entitled *Executive Budget Information That Will Address Issues of Locating Agency Functions Away From a Central Office Setting*. The Legislative Council staff said agency responses to the types of inquiries listed below will provide information to the Legislative Assembly on the decisionmaking process used by a state agency in determining the location of new FTE positions, new programs, or new capital construction of the agency. The information would be provided by an agency as part of the agency's budget request.

1. May the position(s), program, or facility be located offsite or away from a central office

- setting? If not, explain in detail, the criteria used in arriving at this decision.
2. What offsite setting and location would be most appropriate?
 3. Estimated additional biennial costs associated with the offsite location.
 4. Estimated biennial savings resulting from the offsite location.
 5. Advantages of locating offsite.
 6. Disadvantages of locating offsite.

Senator Krauter said state government needs to consider changing its methods of providing services as a result of the technological changes that are occurring.

Senator Bowman said the committee may need to consider a bill draft requiring agencies to consider locating employees and programs away from a central office setting. Chairman Krauter indicated that by requiring agencies to address the issue as part of their budget request, agencies will become more aware of the possibilities of locating employees or programs away from a central office setting.

Representative Jensen expressed concern that agencies may be unaware of the facilities available across the state for locating their agency functions. She suggested that information on facilities available be provided to state agencies to utilize when preparing their analysis. She proposed that incentives be provided to state agencies for locating employees away from a central office setting.

Senator Andrist suggested the committee consider a proactive approach to locating employees away from a central office setting. He said the committee could recommend moving some smaller agencies to an appropriate rural area of the state and suggested state agencies be instructed to locate all new hires away from a central office setting unless the agency can justify locating the employee in the agency's central office.

Senator Bowman suggested that communities interested in locating state employee positions in their communities provide to state agencies for use in their analysis, the facilities available and other benefits of the community.

Ms. Sheila Peterson, Director, Fiscal Management, Office of Management and Budget, commented on options for collecting data through the executive budget process to address issues of locating agency functions away from a central office setting.

Ms. Peterson reviewed the following four options for collecting the information as part of an agency's budget request:

1. Collect the data as part of the program narrative information.
2. Collect the data as part of the budget change narrative information.
3. Require an agency to complete a separate paper form that would not be included in the computerized budget system (SIBR).

4. Modify the computerized budget system (SIBR) to include a new screen to address this issue.

Ms. Peterson recommended the option of requiring agencies to complete a separate paper form to provide this type of information to the next Legislative Assembly. She said this option was recommended due to time factors which may preclude the development of a new budget screen for the SIBR system, and this option will allow modifications to be made more easily to the form if changes are requested for the following legislative session.

Ms. Peterson expressed concern regarding agencies providing estimated costs of locating state employees or programs away from a central office setting. She said it may be difficult for agencies to obtain accurate cost estimates early in the process.

Ms. Peterson suggested the following additional items that should be addressed as part of an agency's analysis:

1. Is the agency in a position to supervise a remotely located employee?
2. Are measurements in place to measure employees productivity?
3. Can an agency measure customer satisfaction?
4. Are individuals with appropriate qualifications already living in a remote site where they would choose to stay?
5. Are potential employees willing to locate in a remote site?
6. Are remote locations offering financial incentives to attract state jobs?
7. What is the true cost benefit?

Senator Andrist suggested the analysis form not require agencies to designate a specific location for the position or program.

Representative Winrich suggested communities need to be more involved in the process and that information needs to be shared between communities and state agencies.

Senator Krauter suggested that in order to provide adequate information to the Legislative Assembly, it may be necessary to provide the information using a combination of the options presented by Ms. Peterson. He said the information could be included as part of the agency's program narrative and budget change narrative in the budget request as well as on a separate paper form.

Mr. Backman said the Office of Management and Budget is supportive of the concept of considering locating positions or programs away from a central office setting but is concerned that appropriate questions be asked of agencies when conducting their analysis.

Ms. Peterson suggested that Central Personnel also be involved to address personnel issues that may arise.

Mr. Gene Veeder, Watford City Economic Development, Watford City, commented on information technology development in Watford City and McKenzie County. Mr. Veeder said Watford City began to focus on technology four years ago. He said the city selected technology as a means of achieving its goal of employing more people in the area. He said corporate America is concerned with paying for the costs of training employees who then soon leave for other employment opportunities. He said Watford City is convincing corporate America that employees in small, rural communities, when retrained, will be dedicated employees for up to 20 years.

Mr. Veeder said technology development in Watford City and McKenzie County has resulted from a partnership between the school district, county, and city. He said these entities shared the cost of installing a wireless system providing high-speed technology services to the area.

Mr. Veeder said through surveys it was determined the area has a trainable work force that can provide workers to meet the demands of potential employers.

Mr. Veeder said in order to have available trained workers, McKenzie County and the school district cooperatively provide training opportunities for individuals in technology. He said the community has been successful in attracting a number of private companies relying on technology and has adequately met their needs.

Mr. Ray Hintz, Watford City Schools, provided information on the adult training programs. He stressed the importance of providing adequate training on technology to potential workers.

Ms. Tina Langhans, Watford City, commented on the willingness of individuals to travel from surrounding communities to Watford City to receive training.

Mr. Hintz stressed the importance of having technology available to allow for teleconferencing when locating employees away from a central office setting.

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, commented on the department's support of information technology development in McKenzie County. Mr. Wolfe said the Information Technology Department contracts with Cross Consulting, Inc., a private information technology consulting firm in Watford City. He said the Information Technology Department contracts for five individuals located in Watford City and one individual who is located in Bismarck. Mr. Wolfe said the Information Technology Department is very pleased with the productivity of Cross Consulting, Inc.

Mr. Wolfe said the lack of video conferencing is a concern when employees are located away from a central office setting. He said based on the provisions of 1999 Senate Bill No. 2043, the department is in the process of developing a new broad band network which will allow for data and video and possibly voice

to be transmitted over the same network. He said this will allow for video conferencing.

Mr. Wolfe said as a part of the Information Technology Department's business plan, it will be considering the addition of new employees. He said some of these employees may be outsourced to rural North Dakota.

Mr. Wolfe commented on the study conducted by North Dakota State University that was presented to the committee at its last meeting regarding the costs of locating offices in rural areas. He expressed concern that data entry positions were used in the example. He indicated that data entry positions may no longer be needed due to the enhancement of technology associated with the Internet and scanners. He commented that startup costs may be more than projected in the study and that long distance and fax charges would be more than projected in the study.

Senator Krauter suggested that in addition to analyzing the location of new employees, programs, and construction, agencies also analyze any new contracts for services for the possibility of contracting for these services in rural areas.

Ms. Jennifer Gladden, Executive Director, Job Service North Dakota, commented on the classification of job types across the state that are in demand and those for which there is a surplus. Ms. Gladden said North Dakota currently has approximately 3,000 job openings. She said the types of jobs that are in demand vary greatly. She said the major areas of lower paid jobs that are in demand include food service workers, health care workers, cashier/teller positions, and commission sales positions. She said higher paid positions that are in most demand include carpenters, plumbers, truck drivers, computer systems technical support positions, computer analysts, computer programmers, and computer system developers.

Ms. Gladden distributed a report indicating the projected job types that will be in demand in 2006. A copy of the report is on file in the Legislative Council office.

Senator Krauter asked the types of Job Service positions that may potentially be performed away from a central office setting. Ms. Gladden said the computer support positions located at Job Service in Bismarck primarily support the agency's mainframe system. She said Job Service is currently studying how computer support services can be performed more effectively and efficiently.

Senator Krauter asked whether the agency believes North Dakota employers will soon be able to file their employment forms over the Internet. Ms. Gladden estimated only 30 percent of North Dakota employers currently have Internet access which will delay the development of this option.

Representative Winrich asked for information on how the shortages of jobs are distributed across the state in various locations. Ms. Gladden said she

would review the information available and provide any pertinent information to the committee.

The committee recessed for lunch at 11:35 a.m. and reconvened at 12:30 p.m.

STATE DEPARTMENT OF HEALTH FACILITIES PLAN

Mr. Robert Barnett, State Health Department, reported on the status of the department's facilities plan. Mr. Barnett said the architectural firm hired by the department has surveyed the department's buildings. He said the department hopes to have preliminary reports available for the committee's review by spring 2000.

Mr. Barnett provided written testimony from Mr. Murray G. Sagsveen, State Health Officer, regarding the location of the state morgue. Mr. Sagsveen, in his written testimony, expressed support for continuing the State Medical Examiner program in Bismarck. A copy of the report is on file in the Legislative Council office.

Mr. Joel Leapaldt, State Facility Planner, Office of Management and Budget, presented information on the options for the state morgue, including the viability of the space at the University of North Dakota.

Mr. Leapaldt presented the following advantages of locating the state morgue at the Medical Sciences Building at the University of North Dakota.

1. The majority of the space is already owned by the state. This will minimize new operating costs.
2. The existing building is equipped with a fire suppression sprinkler system.
3. A 10-foot ceiling is possible in the previous boiler room/autopsy suite.
4. A parking area and paved alley is available in the area.

Mr. Leapaldt presented the following disadvantages of the Medical Sciences Building location for the state morgue:

1. The space available is approximately 10 feet belowground which will require a new enclosed stair and entrance at ground level for the public and employees. An enclosed garage and gurney-sized elevator would also be needed.
2. The tight column spacing and existing substantial bearing walls interrupt existing space and restrict flexibility for layout. Any change to the perimeter bearing walls would be cost-prohibitive.
3. The main electrical service and the building's sump pump are located in the previous boiler room which would result in lost space by separating them from the morgue.
4. Existing clearance from the bottom of existing beams in the cold storage area to a finished floor is eight feet which results in

complications when finishing ceilings and for mechanical retrofit.

5. The previous boiler room has three high-strength concrete boiler pads that are five inches higher than the surrounding floor slab which would be difficult and expensive to remove.

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

The Legislative Council staff presented information relating to previous Legislative Council studies that recommended a State Medical Examiner position. The Legislative Council staff said that a 1985-86 interim Law Enforcement Committee study of the county coroner system resulted in a recommendation to establish a statewide medical examiner system. The recommendation provided that a State Medical Examiner would serve both in that office and as head of the Division of Forensic Pathology at the University of North Dakota Medical School. The 1985-86 interim committee heard testimony from the Chief Medical Examiner of New Mexico who commented on the significant cross-benefit of an affiliation of the medical examiner with the Medical School in New Mexico.

The Legislative Council staff said the bill was not approved by the 1987 Legislative Assembly primarily due to the funding required for the establishment of the system.

Dr. George Mizell, State Forensic Examiner, State Department of Health, commented on the benefits and concerns of locating the state morgue and State Medical Examiner position at the UND School of Medicine and Health Sciences. Dr. Mizell believes the State Forensic Examiner's office should remain in or near Bismarck because:

1. A central location is important to meet the needs of the entire state.
2. The State Forensic Examiner's office works closely with the crime lab and toxicology lab which are located in Bismarck.
3. The State Forensic Examiner's office frequently uses other State Health Department labs and works with other state agencies located in Bismarck, including the Bureau of Criminal Investigation.
4. Security issues relating to the bodies of the victims and the handling of evidence may be a concern at the Grand Forks location.
5. It is unlikely that the State Forensic Examiner's office administrator and administrative secretary would relocate to Grand Forks which would require hiring and training new staff.

Dr. Mizell indicated the Bismarck location does not preclude a relationship with the School of Medicine. He said the State Forensic Examiner's office would be willing to explore options with the School of Medicine to allow interested medical students to observe select autopsies.

Dr. Mizell presented statistics on the number of autopsy requests received by county. The information indicates that from August 1996 through December 10, 1999, the following counties had the most referrals to the State Forensic Examiner: Burleigh - 135; Cass - 101; Stutsman - 31; Grand Forks - 30; Rolette - 28; Barnes - 24; and Morton - 20. A copy of the report is on file in the Legislative Council office.

Mr. Keith Nelson, Court Administrator, Supreme Court, commented on the benefits and concerns of locating the state morgue and State Medical Examiner at the UND School of Medicine and Health Sciences. Mr. Nelson said the judicial branch is not taking a position on the issue because it believes the location will not impact the operations of the judicial branch.

Mr. Bill Broer, Director, Bureau of Criminal Investigation, commented on the benefits and concerns of locating the state morgue and State Medical Examiner at the UND School of Medicine and Health Sciences.

Mr. Broer said law enforcement opposes moving the State Medical Examiner program to the medical school because:

1. Law enforcement has created a partnership with the State Health Department.
2. Dr. Mizell currently has a difficult time completing the necessary autopsies and providing ongoing training for coroners, law enforcement, prosecutors, and emergency personnel. He said law enforcement is concerned that this time may be further reduced if the State Medical Examiner also has teaching responsibilities.
3. The State Medical Examiner needs to be located near the crime lab, State Toxicologist, and the Bureau of Criminal Investigation. He said it is very common for Bureau of Criminal Investigation personnel and local law enforcement agencies to be requested to be present at the autopsy to take photographs and gather other types of evidence.
4. Families of the deceased are sometimes unhappy with the fact that an autopsy must be performed. Families may be more upset if they feel their loved ones are being used for training purposes.
5. Bismarck provides for a central location for the State Medical Examiner. Moving the program to Grand Forks may create a hardship for counties in the western part of the state that need the services of the facility and would also result in additional travel costs for the State Medical Examiner who may need to travel to the death scene.
6. Moving the State Medical Examiner's office to Grand Forks may result in the loss of Dr. Mizell and his staff. Law enforcement is very supportive of the current program and is

concerned that a new search may have to be undertaken to fill the position if Dr. Mizell and his staff resign as a result of the move.

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

Mr. Robert Bankes, North Dakota Sheriffs and Deputies Association, expressed support for keeping the state morgue and State Medical Examiner in Bismarck due to its central location.

Mr. Dennis Bullinger, North Dakota Chiefs of Police Association, expressed support for keeping the state morgue and State Medical Examiner office located in Bismarck.

Mr. David Peske, North Dakota Medical Association, commented on the educational benefits of locating the State Medical Examiner at the UND School of Medicine and Health Sciences. Mr. Peske said North Dakota member physicians agree that exposure of medical students, especially in their first and second years of training, to the educational opportunities provided through an on-campus office of the State Medical Examiner would benefit the students.

Mr. Peske said students trained in at least the basic aspects of forensic pathology will be better equipped to handle questionable or unattended death cases in their local communities and to work in a more useful partnership with law enforcement personnel on these cases. A copy of the report is on file in the Legislative Council office.

Dr. H. David Wilson, Dean, UND School of Medicine and Health Sciences, commented on the location of the state morgue. Dr. Wilson asked the committee to consider the following points supporting locating the state morgue and State Medical Examiner at the medical school:

1. Control of the facility would remain with the State Health Officer and State Pathologist and would be in a separate and secure facility.
2. The State Medical Examiner's office can serve both its legal obligations and an educational function as it does in other states including New Mexico and Maryland.
3. The forensic pathologist could exclude students from observing sensitive cases.
4. Students would only observe, not participate.
5. Select medical students are located at the Bismarck Family Practice Center only during their junior year. It is important for all sophomore medical students to view autopsies.
6. Transportation costs, in total, may be similar to the Bismarck location since the eastern third of the state is more heavily populated.
7. The medical school is sensitive to concerns regarding the distance of the state morgue from the state crime lab and State Toxicologist. The medical school believes that specimens could be mailed similar to how

specimens are now sent to the Federal Bureau of Investigation.

8. Cost of remodeling the medical school facility is estimated at slightly over \$100 per square foot which is less than estimates for new construction.
9. Heating, cooling, and utilities would be provided to the state morgue at no cost since it would be located in the medical school. If Dr. Mizell is willing to assume significant teaching responsibilities, the medical school would also assume part of the cost of his salary.
10. In the future, when it is necessary to replace the State Medical Examiner, it may be easier to attract these very specialized physicians to North Dakota if the office is located at the state's medical school.

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

Representative Tollefson suggested that if the state morgue and State Medical Examiner remain in Bismarck, the medical school arrange for its second-year medical students to travel to Bismarck to view an autopsy being performed by the State Medical Examiner.

Representative Tollefson asked how many states have collocated their state morgue and State Medical Examiner with the state's medical school. Dr. Wilson said New Mexico and Maryland have and that he will provide additional information on the number of states that have collocated the state morgue and State Medical Examiner with a medical school.

Senator Andrist said based upon the statistics presented by Dr. Mizell on the number of autopsy requests by counties, Burleigh County has the most referrals. He said it may be appropriate for the State Department of Health to charge counties for the autopsy and to subsidize counties for transportation costs. He said this would be more equitable for all counties across the state. Mr. Barnett said the department now pays for the autopsy and the counties pay for transportation. He said the department will consider his suggestion regarding changing the fee structure.

Ms. Cynthia Feland, Burleigh County State's Attorney, commented regarding the location of the state morgue and State Medical Examiner. Ms. Feland expressed concern regarding potential delays that may result from transporting evidence from Grand Forks to Bismarck. Ms. Feland also expressed concern that if the State Medical Examiner is expected to have teaching responsibilities, services provided to law enforcement may be reduced. She said the current system is working very well.

PRIVATIZATION

The Legislative Council staff presented a memorandum entitled *Privatization Activities of State*

Agencies - 1999-2001 Biennium. The memorandum summarizes the results of a survey of all state agencies regarding privatization activities and potential privatization activities of state agencies. The Legislative Council staff said state agencies estimate the cost of privatized services during the 1999-2001 biennium at \$1.4 billion, \$218 million of which is from the general fund.

The Legislative Council staff reviewed the potential services to privatize as identified by agencies. The information provides the type of service the agency believes could be privatized, the current number of FTE employees providing the service and related cost, and the agency's estimate of the cost if the service is privatized.

Chairman Krauter asked committee members to review the information provided by the Legislative Council staff and to suggest any areas where the committee should consider further privatization of services or a review of the services currently privatized. He said the committee can focus on these areas as it continues its study.

The Legislative Council staff reviewed provisions of 1993 House Bill No. 1026. The Legislative Council staff said the bill was recommended by the 1991-92 interim Budget Committee on Government Services that had studied privatization. The Legislative Council staff said the bill would have required state agencies to submit a report to the Appropriations Committees during each legislative session on any action taken by the agency since the last legislative session to contract with the private sector for services and on any recommendations for further privatization of services. The bill further provided that when new employees or programs are requested by an agency, the agency must report to the Appropriations Committees information on the consideration given to privatization in arriving at the request. The Legislative Council staff said the bill was not approved by the 1993 Legislative Assembly. While the specific reasons for defeating the bill are not identified in the standing committee minutes, there are references to committee members expressing concern regarding the significant amount of time and paperwork that would be required of agencies to comply with provisions of the bill.

The Legislative Council staff presented a memorandum entitled *State Policies Regarding Privatization Activities*. The Legislative Council staff said North Dakota Century Code Chapter 54-44.4 provides for state purchasing practices. The chapter provides for policies that executive branch agencies must follow when purchasing materials, furniture, fixtures, printing, insurance, and other commodities. The chapter, however, specifically excludes professional services and services for the maintenance and servicing of equipment.

The Legislative Council staff said that while the Legislative Assembly has not provided general

policies or guidelines for agencies to comply with when contracting for services, the following statutory provisions have been enacted by the Legislative Assembly which provide specific guidance relating to the purchase of certain services:

1. North Dakota Century Code Section 54-59-05(4) requires each executive branch agency to submit to the Information Technology Department a written request for the lease, purchase, or other contractual acquisition of information technology. Information technology includes hardware, software, services, and supporting infrastructure to manage and deliver information using voice, data, and video.
2. North Dakota Century Code Section 44-08-01 requires a state entity authorized to accept bids to give preference to a resident North Dakota bidder when accepting bids for the provision of professional services, including research and consulting services.
3. North Dakota Century Code Section 46-02-09 provides, except for certain printing projects of the legislative branch, reports prepared and submitted to the Governor and Secretary of State, agency biennial reports, and all other printing projects exceeding \$750, not done by Central Services, must be let by competitive bidding or by solicitation of at least two quotes.
4. North Dakota Century Code Section 54-44.4-07 encourages agencies to specify the use of soybean-based ink when purchasing newsprint printing services.
5. North Dakota Century Code Section 54-46.1-01 allows the State Records Administrator and the Office of Management and Budget to contract for microfilming services if it is determined that the services can be provided more efficiently and economically through a contract with a private company.

The Legislative Council staff said some larger agencies, including the Department of Transportation and the Department of Human Services, have instituted internal policies that these agencies use when contracting for services.

Ms. Vonette Richter, Counsel, Legislative Council, presented a memorandum entitled *State Liability for Acts of Agents*. Ms. Richter said the memorandum addresses issues relating to the state's liability that may arise as a result of the negligence by a private company with which the state has contracted to provide services on behalf of the state. Ms. Richter said the liability of the state depends on whether the private company hired by the state to perform this service is an agent, servant, employee, or independent contractor. She said the state would generally not be liable if the company is considered by the court to be an independent contractor. She said

although there are various tests that would be used by a court to determine the state's employment relationship with the private company in a particular situation, the common thread running through the tests appears to be whether an employer has the right to control the means and manner of an employee's work performance.

Ms. Elaine Little, Director, Department of Corrections and Rehabilitation, provided suggestions for criteria that could be used when contracting for services. Ms. Little said the most common reasons the Department of Corrections and Rehabilitation contracts for services include:

1. It is more economical to contract for the service, and the quality of service provided by the contractor is at least equal to what the state can provide.
2. The department is unable to recruit staff to provide the service.
3. The private sector service is more readily available and can be provided more geographically than can be provided by department staff.
4. The service is needed only sporadically.

Ms. Little said situations in which the department does not contract out services include:

1. If the service would be more costly and can be provided with equal quality by department staff.
2. When it is important that the department control the environment and assure the agency's philosophy of operations is maintained.
3. When it is important to limit the department's liability exposure.

Ms. Little said the department is supportive of providing some guidelines for agencies to utilize when contracting for services. She suggested guidelines that may include:

1. Some of the Office of Management and Budget guidelines utilized for the procurement of goods could also be applicable for the contracting of services.
2. A request for proposal for services should be required for services over a certain dollar amount.
3. Contracts should be very specific as to the service to be provided and to any standards that must be met.
4. Require background checks and proof of licensing for entities being considered for providing services.
5. Allow agency flexibility. She said agencies need to be able to control the services and set the standards for the level and quality of services. She said guidelines would be beneficial but should not hamper agencies with unnecessary paperwork.

- 6. Allow agencies to continue to contract without rebidding if the quality of service is met by the private contractor.
- 7. Require some type of program monitoring or auditing for major contracts to assure that the service is provided according to contract.

Ms. Little suggested avoiding the following types of guidelines associated with contracting for services:

- 1. Do not require that the low bid be accepted in all instances.
- 2. Do not require that contracts be rebid after a certain amount of time.
- 3. Do not have blanket guidelines for all contracts.
- 4. For most guidelines, it would helpful to allow exceptions, if approved by the Office of Management and Budget.

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

Senator Traynor suggested that agencies require private contractors to post a performance bond to assure adequate performance of services.

**COMMITTEE DISCUSSION
AND STAFF DIRECTIVES**

Senator Bowman suggested the economic development groups in local communities be asked to provide information to the state on the available work

force, available training programs, and the level of technology available for state agencies to consider when hiring and determining the location of new employees. Senator Andrist said the regional councils across the state may already have this information available. Chairman Krauter said the Department of Economic Development and Finance will be asked to give a presentation to the committee at its next meeting regarding any information available to use when evaluating the availability of space in rural communities to house state employees or state programs.

The committee adjourned subject to the call of the chair at 3:15 p.m.

Allen H. Knudson
Senior Fiscal Analyst

Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:1