

1999 HOUSE INDUSTRY, BUSINESS AND LABOR
HB 1266

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1266 1-19-99

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-19-99

Tape Number	Side A	Side B	Meter #
3		x	745 - 2011
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: **HB 1266**

Tammy Dolan, Accounting Director for WCB Introduced HB 1266 relating to the expenditure of bureau funds for capital purchases; provide a continuing appropriation; provide an expiration date; and declare an emergency. (See written testimony)

Rep. Keiser: What are the property taxes currently being paid on the building by owners?

Tammy Dolan: The taxes currently are \$60,339.91.

Chairman Berg closed the hearing.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1266

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-3-99

Tape Number	Side A	Side B	Meter #
1		x	49.7
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes:

HB 1266

Chairman Berg opened the meeting the bill.

Berg went on to explain the purpose of the bill which is to authorize the board of the WC Bureau to purchase the building.

Committee members discussed the bill. The cost of the bureau purchasing the building was analyzed as to cost effectiveness. It appeared that \$200,000 per year would be required as income to justify the purchase of the building. The square foot cost is approximately \$48.00. The cost to build a new building is approximately \$75.00 per square foot.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number Hb 1266

Hearing Date 2-3-99

A motion was made by Representative Lemieux for a do pass no second by Representative Klein

By roll vote, 7 yes, 8 no, motion failed.

The funding for the purchase will be special fund money. The committee had concerns about the pros and cons of the purchase to include taxes, ownership, and financing. Some discussion took place on possibly moving the location activity to a ND rural area.

Chairman Berg closed the meeting on the bill.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1266

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-9-99

Tape Number	Side A	Side B	Meter #
2	x		2226 - end
2		x	0 - 731
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: **HB 1266**

Chairman Berg opened the discussion of HB 1266. He handed out and explained the first set of amendments.

Rep. Martinson made a motion to adopt the amendments.

Rep. Keiser second the amendments.

The voice vote was 15 yea, 0 nay. The motion carries.

The second set of amendments were handed out and explained.

Rep. Ekstrom: In my searching, since 1959 to 1995 there has been repeated issues to privatize

Workers Comp. Where does that leave us with buying the building?

Chairman Berg: There is no question that they would be privatized if they were paying property taxes.

Rep. Lemieux: We have built buildings, here we are buying a building or the potential is to buy a building and take it off the tax roll. We have set some precedent in ND before by buying or acquiring them through gifts, they do come back to the counties and pay in lieu of taxes. This amendment says that we are going to buy a building, we are going to take it off the tax roll. The impact on the political subdivision on here would be drastic. So if we say this building is a good venture, we are also going to have to use paying the property taxes as they would be assessed to any other person that we would be renting from.

Rep. Ekstrom: I can see in the future other people saying that we bought the Workers Comp building, so why can't they buy ours? The state could find them in some real trouble with this.

Rep. Keiser: It really should be a financial decision, and I think the first set of amendments do this.

Rep. Glassheim: Why should the state monopoly get a break on property taxes when individuals buying a building don't get a break on property taxes?

Rep. Koppang: Are you aware of any other agencies that have ever done this? What determines if you are or are not going to ask for this or have this part of the equation when you look at the cost analysis of the whole total?

Chairman Berg: If in fact the legislative assemble felt this has been an appropriate thing to do, then we would pay property taxes on all of the property. If we did save property tax on all the property in Bismarck, then part of the income tax sales tax general fund dollars paid from citizens from all over the state would go to offset property taxes in Bismarck.

Rep. Thorpe: If we pass this and they buy the building, then ten years down the road decide this isn't working then the state has to buy it back. We will have a large fiscal note on this building.

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House Industry, Business and Labor Committee

Bill/Resolution Number Hb1266

Hearing Date 2-9-99

Rep. Lemieux made a motion for a Do Pass on the second set of amendments.

Rep. Froseth second the motion.

The roll call vote was 5 yea, 10 nay. The motion failed.

Rep. Keiser made a motion for a Do Pass as Amended.

Vice Chairman Kempenich second the motion.

The roll call vote was 9 yea, 6 nay.

The motion carries.

Rep. Severson will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: _____ Amendment to: HB 1266

Requested by Legislative Council _____ Date of Request: 2-12-99

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

See attached.

- 2. State fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures:

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: _____
- b. For the 1999-2001 biennium: _____
- c. For the 2001-03 biennium: _____

- 4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed J. Patrick Traynor

Typed Name J. Patrick Traynor

Department Workers Compensation Bureau

Phone Number 328-3856

Date Prepared: 02-12-99

NORTH DAKOTA WORKERS COMPENSATION BUREAU
1999 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Property Acquisition Authority

BILL NO: HB 1266

SUMMARY OF ACTUARIAL INFORMATION: The Workers Compensation Bureau, with the assistance of its Actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation authorizes the Bureau, with Board approval, to purchase a building to house its operations; mandates a cost-benefit study of any Bureau building purchase; provides a continuing appropriation for the purchase of a building to ensure competitive price negotiations; and provides a sunset clause of July 31, 2003. The bill declares the Act to be an emergency measure.

FISCAL IMPACT: The Bureau had a professional realty appraisal firm conduct a preliminary cost benefit study on purchasing a building. The study indicates that purchasing a building rather than continuing to lease a building would likely result in long term cost savings. No rate level impact is anticipated over the short term, however, a reduction in administrative costs over the long term may tend to support subsequent rate decreases.

AMENDMENT: The proposed amendment outlines the requirements the Bureau must meet before entering into a building or property purchase agreement.

The proposed amendment will result in no significant change to the fiscal impact for the bill as introduced.

DATE: 2-11-99

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1266 Amendment to: _____

Requested by Legislative Council Date of Request: 1-13-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

See attached.

2. State fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures:

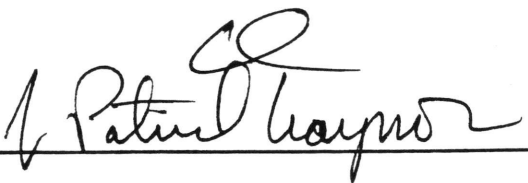
3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: _____
- b. For the 1999-2001 biennium: _____
- c. For the 2001-03 biennium: _____

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name J. Patrick Traynor

Department Workers Compensation Bureau

Date Prepared: 01-18-99

Phone Number 328-3856

***NORTH DAKOTA WORKERS COMPENSATION BUREAU
1999 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION***

BILL DESCRIPTION: - Property Acquisition Authority

BILL NO: HB 1266

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DATE: 1-17-99

Date: 2-3-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1266

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass

Motion Made By Lemieux Seconded By Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		/
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom		/			
Rep. Froseth		/			
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser		/			
Rep. Klein		/			
Rep. Koppang		/			
Rep. Lemieux	/				
Rep. Martinson	/				
Rep. Severson		/			
Rep. Stefonowicz		/			

Total (Yes) 7 No 8

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1266

Page 1, line 4, remove "Upon completion of a"

Page 1, line 5, replace "cost-benefit study and approval of the workers compensation board of directors, the" with "The"

Page 1, line 6, after "operations" insert "only if the following requirements are satisfied:

1. Completion of a certified appraisal of the building and property to be purchased;
2. Completion of a physical inspection of the building to be purchased demonstrating that the building is structurally sound and suitable for housing bureau operations;
3. Completion of a cost-benefit analysis demonstrating that purchasing a building and property would be economically advantageous in that it would generate a higher yield compared to investing the anticipated purchase price with the same investment allocation as the workers compensation fund;
4. The cost-benefit analysis must consider alternative locations to house bureau operations;
5. The building and property purchase must include adequate land to satisfy parking requirements of bureau staff and anticipated visitors;
6. Approval of the purchase by the workers compensation board of directors after consideration of the certified appraisal, physical inspection report, and cost-benefit analysis"

Renumber accordingly

PROPOSED AMENDMENT TO HOUSE BILL NO. 1266

Page 1, line 11, after "SECTION 3" insert "PAYMENTS IN LIEU OF PROPERTY TAX. If the bureau purchases a building and property pursuant to section 1 of this Act, the bureau shall make payments to the appropriate governmental units equal to the property taxes that would have been due if the building and property were privately owned.

SECTION 4"

Page 1, line 13, replace "4" with "5"

Renumber accordingly

Date: 2-9-99
Roll Call Vote #: 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1266

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken 2 amendments - do pass - fail

Motion Made By Lemieux Seconded By Froseth

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg		/	Rep. Thorpe	/	
Vice Chair - Kempenich		/			
Rep. Brekke		/			
Rep. Eckstrom	/				
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson		/			
Rep. Keiser		/			
Rep. Klein		/			
Rep. Koppang		/			
Rep. Lemieux	/				
Rep. Martinson		/			
Rep. Severson		/			
Rep. Stefonowicz		/			

Total (Yes) 5 No 10

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1266

House Industry, Business and Labor Committee

- Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as amended

Motion Made By Keiser Seconded By Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		/
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom		/			
Rep. Froseth	/				
Rep. Glassheim		/			
Rep. Johnson	/				
Rep. Keiser	/				
Rep. Klein		/			
Rep. Koppang	/				
Rep. Lemieux		/			
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz		/			

Total (Yes) 9 No 6

Absent _____

Floor Assignment ~~Berg~~ Severson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1266: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1266 was placed on the Sixth order on the calendar.

Page 1, line 4, replace "Upon completion of a" with "The"

Page 1, line 5, remove "cost-benefit study and approval of the workers compensation board of directors, the"

Page 1, line 6, after "operations" insert "only if the following requirements are satisfied:

1. Completion of a certified appraisal of the building and property to be purchased;
2. Completion of a physical inspection of the building to be purchased demonstrating that the building is structurally sound and suitable for housing bureau operations;
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4. The cost-benefit analysis must consider alternative locations to house bureau operations;
5. The building and property purchase must include adequate land to satisfy parking requirements of bureau staff and anticipated visitors; and
6. Approval of the purchase by the workers compensation board of directors after consideration of the certified appraisal, physical inspection report, and cost-benefit analysis"

Renumber accordingly

1999 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1266

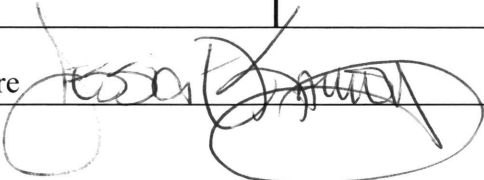
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HOUSE BILL 1266

Industry, Business and Labor

Conference Committee

Hearing Date MARCH 3, 1999

Tape Number	Side A	Side B	Meter #
1	x		0 to 1700
Committee Clerk Signature 			

Minutes

SENATOR MUTCH: open the hearing on HOUSE BILL 1266

TAMMY DOLEN introduction of HOUSE BILL 1266 (garbled and low tone tape)

costs of building a new site and the what the benefits are of a site inspection, appreciation verses depreciation and Burlington Northern selling the land. Once land is bought it would become tax exempt

SENATOR SAND: building still pays property taxes and providing jobs, workers compensation tax issues on the schools and on the number of students in the school

TAMMY DOLEN: We did know of a tax impact to the city of Bismarck and the number of jobs and the fiscal responsibility of this institution per year

SENATOR MUTCH: reimbursed expenses to the landlord and rental costs on a 3 million dollar building plus all the other expenses

TAMMY DOLEN: Correct, we do pay the rest of these expenses. This total \$433,000 a year plus other expenses on top of that. Reimburse the land owner

SENATOR MUTCH: permission to the advisory board to purchase a new building and use of the money for the new building

SENATOR KLEIN: is the building adequate for the Workers Compensation

TAMMY DOLEN: yes it is adequate for what we need today

SENATOR KREBSBACH: rate of rent be the same for all three years and are there any other tenants in the building

TAMMY DOLEN: we have a ten year "no rate increase policy" with the landowner, TCBY is also in the building

SENATOR MUTCH: do you sublet to TCBY

TAMMY DOLEN: the landlord has a separate lease with them

SENATOR MUTCH: do you anticipate renting the space if we bought this building

TAMMY DOLEN: if the need arose, we could sublet the space, depending on the time frame

SENATOR MATHERN: Comment on testimony with the house vote and submitting what the vote was

SENATOR MUTCH: anyone else to testify, opposition to the bill

SENATOR KLEIN: is this constitutional to buy a building and the railroad and the property

TAMMY DOLEN: They made an offer in January and we would not buy the property without buying the land

SENATOR SAND: all work had been done and we didn't know if we were going to own the land

Page 3

Senate Political Subdivisions Committee

Bill/Resolution Number Hb1266

Hearing Date MARCH 3, 1999

SENATOR KLEIN: the railroad announced last summer that they where going to be selling the land and that created a storm among contractors who wanted the land. developing a lease on the land when you don't know

SENATOR MUTCH: any further testimony on 1266

Senator Klein motioned for a do pass committee recommendation on HB1266. Senator

Krebsbach seconded his motion. The motion carried with a 5-2-0 vote.

Senator Klein will carry the bill.

SR404102

Date: 03/03

Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
HOUSE BILL/RESOLUTION NO. 266

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By KLEIN Seconded By KREBSBACH

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp		X			
Senator Thompson		X			

Total (Yes) 5 No 2

Absent 0

Floor Assignment KLEIN

REPORT OF STANDING COMMITTEE (410)
March 5, 1999 10:29 a.m.

Module No: SR-40-4102
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1266, as reengrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1266 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

HB 1266

**PROPERTY ACQUISITION
OF THE WORKERS COMPENSATION BUREAU**

Testimony
Before the House Industry, Business, and Labor Committee

January 19, 1999

Tammy Dolan, Director, Accounting Department
North Dakota Workers Compensation Bureau

The Workers Compensation Board of Directors instructed the Bureau to study the merits of continuing to lease our current office space vs. the option of purchasing our current building and land or other space. Invesco Realty Advisors, an investment realty company that has worked with the State Investment Board, provided a preliminary analysis for our Board.

Previous internal analyses indicated that it would be cost-effective to purchase our current building. We currently pay \$433,000 in annual rent, plus an operating cost multiplier between \$20,000 - \$50,000. An estimated building purchase price (tentatively provided by the current owners) is \$2.8 million, thus purchasing the building could save the Bureau between \$2 and \$4 million over a ten-year period. No outside financing would be required for the purchase, because the Bureau could liquidate a portion of its investment portfolio to cover all purchase expenses.

Invesco took our analysis a step further by attempting to estimate a fair market value of the building. Based on conversations with a local developer/appraiser, they determined that without the land (which is currently owned by Burlington Northern Railroad) a more accurate purchase price (as compared to the \$2.8 million above) would be approximately \$2.28 million.

Past legislative bodies have been hesitant to pursue purchasing our current building, because the land was separately owned by Burlington Northern Railroad. Owning a building without the related land could create a potentially problematic situation. However, Burlington Northern has recently announced plans to sell the land upon which our building sits, which may make it more feasible to consider purchasing the building.

Invesco also researched new construction costs. Working with a local appraiser/developer and using an industry valuation guide, they estimated a \$4.7 million price tag to build a new building, well in excess of the price for our current structure.

Invesco concluded their analysis by stating that, at this time, the most cost-effective move would be to purchase our current building. They qualified their report by stating that their analysis was done without a property inspection and a complete understanding of the local market. They strongly recommended that we have a full appraisal completed before beginning any contract negotiations.

HB 1266 provides that after a cost-benefit study and approval of the Workers Compensation Board of Directors, the Bureau may purchase a building and property to house its operations. It also provides a continuing appropriation for all costs related to this purchase. Costs will be reported in the Bureau's annual financial statements, which are audited by an independent accounting firm. This bill contains a sunset clause that expires on July 31, 2003 and is declared an emergency measure.

Thank you for your consideration. I will be glad to answer any questions you might have about House Bill No. 1266.