

2001 HOUSE APPROPRIATIONS

HB 1015

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1015

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date January 18, 2001

Tape Number	Side A	Side B	Meter #
01-18-01 tape #1	2072 - 6222	0 - 6222	
01-18-01 tape #2	0 - 3432		
Committee Clerk Signature <i>Kathie Lall</i>			

Minutes:

The committee was called to order and opened the hearing on HB 1015, the budget for Office of Management and Budget and State Radio.

Chairman Byerly: On ~~the~~ Monday morning in full committee we will hear the state compensation portion of this bill. We will not deal with that here in this subcommittee.

Rod Backman, Director of OMB: Handed out a packet of written testimony. He gave a quick summary and walked through the sections of the bill. He also has various proposed amendments to discuss. He went right through his written testimony, pages 1 and 2, covering sections 1 through 13 of the bill.

Chairman Byerly: On sections 11 and 12, combined there. If we transfer "x" number of dollars out of the bank we have the provision that it can't reduce the bank's capital structure below \$100 million, if we were to make a transfer and then we needed to access the money in the bank would we have enough money, the ability to do another transfer?

Rod Backman: Will discuss this later, but we estimate that at the end of next biennium if the \$60 million were transferred from the bank, the bank's equity would still be \$173 million.

Rod Backman (continuing with testimony): Has a proposed amendment that on line 23 that is too definite as to the study, and wants it as available. Would go on record to say the \$400,000 would be in state radio budget for the study, but we would commit there would be no expenditure of that money until the OMB director is convinced that the standards and the technology and the competition is there for the bidding. The amendment on page 3 does not include State Radio. He went through the proposed amendment. On page 4 he discussed the Administrative Division.

He also gave a handout on the Bank of North Dakota and Student Loans. The Student Loan Trust Information written testimony is pretty comprehensive. The Bank of North Dakota sheet shows a history of transfers and loan reserves, etc. Having a ratio of 7% or above shows a healthy bank. This is based on the current biennium generating about \$64 million profit and transferring \$15 to the general fund, and similar profits next biennium and transferring \$60 million to the general fund, which would leave equity in the bank at June 30, 2003, of \$173 million.

Rep. Carlisle: On the Bank of North Dakota, have there been any major write-offs in the last biennium or the rate of default of any concern?

Rod Backman: Does not believe there is anything significant. If that would happen the loan loss or reserve number would go down. The major loss or write-off comes out of the loss reserve.

Rep. Koppelman: Looking at the equity numbers, he's been told that there is a mild concern of shifting mission in the bank, or at least toward the practice in theory. Are we being more conservative in theory?

Rod Backman: Not sure he's the person to answer. He does have the information on the loan aggression. The loan activity has been very aggressive. It is the believe that the bank profit is going to continue to grow.

Rep. Skarphol: Curious as to the drop in total assets.

Rod Backman: No idea.

Rod Backman: Handed out a copy of the Agency overview, written testimony on the accomplishments and successes of OMB. He discussed these accomplishments briefly. Then turned the time over to the division directors.

Sheila Peterson, Director of Fiscal Management Division of OMB: She had written testimony in the packet of handouts, and read from the written testimony.

Rep. Thoreson: Was looking at a report issued by the state auditor dealing with application risk assessment. Under OMB there is a system called MB6 dealing with payroll, and it has a high risk rating. What is that, why is that, and what is happening?

Sheila Peterson: Has no idea, but believes it is a very old payroll system, and is very complicated and hard to use. There is something in the ITD budget to revise this.

Chairman Byerly: Comments that the budget book could be put out on CD rom.

Ron Rauschenberger, Director of the Division of Community Services: He had written testimony provided in the packet of handouts. The Division of Community Services is organized into five budget strategies which corresponds to the agency and programs and administrative functions: Community Development, Energy Efficiency and Renewable Energy, Self

Sufficiency, Technical Assistance, and Administration. All of these sections are discussed in the written testimony. Refers to the pie chart on the last page of his section of the written testimony, and then the pie chart on the second to last page of his written testimony.

Rep. Carlisle: Do you see the department performing any new role not doing now?

Ron Rauschenberger: Does not think the role will change so much as it will be easier coordinated. It really will not change. There may be some crossover of duties that will benefit agencies and we will be more effective.

(Going from tape #1, side A to Side B, Ron Rauschenberger discusses the department interactions and possibilities of better efficiency with staff and duties, and FTE's.)

Rep. Glassheim: Is the entire agency supposed to be going into the new commerce department, or pieces of it? A good amount of your federal money has to do with low income, things that have nothing to do with commerce and economic development. What % of the agency has nothing to do with that?

Ron Rauschenberger: The entire agency. Has no % in mind. There is much more that meets the eye, that does have to do with economic development.

Rep. Skarphol: You are showing a reduction of 20 FTE's in your division, is that your staff being moved, does that account for all 20?

Ron Rauschenberger: We have 21 right now.

Roxanne, LC: The reason is an addition of one FTE in central services department, and that's plus one, and if you take away 21 from their division...

Chairman Byerly: He has the same concerns as Rep. Glassheim, that there is a component within community development that is the social service component and then the

economic development component. As we get into the discussion on this concept, he wants the department to be aware of the division, and it will come up again.

Rep. Skarphol: You agency gets 83 federal funds, I would assume the general funds are primarily salaries.

Ron Rauschenberger: Yes. Also a portion of the general fund goes toward receiving matching funds.

Ken Purdy, Acting Director of Central Personnel Division: Had prepared written testimony in the packet, and read from that.

Rep. Carlisle: On the mediation services, is it being utilized and do you notice any changes?

Ken Purdy: It is not being highly utilized, and we would like to see it used more. We have about 5-8 utilization's per year. Sometimes it may be just a meeting that never materializes into full mediation, to a full process that reaches a final agreement. A successful mediation can be a tremendous savings for the workplace.

Rep. Skarphol: How can you use it more, are there unresolved conflicts that are needed to deal with, or are there other things people are using other than mediation? How many FTE's do you have?

Ken Purdy: I think the advantage or biggest opportunity would be if we could get the services used for disagreements between employees or between employees and supervisors. Those things can be so nagging that they hurt productivity. We have 11.

Rod Backman, for Linda Engmann, Director Central Services Division: Linda Engmann was not able to appear, but she had prepared written testimony, and he read from that testimony.

HE did discuss briefly HB 1125 that deals with policies for procurement services, and how that bill could affect this bill.

Rep. Koppelman: The impetus for HB 1125 was the audit, was there a feeling that too much money was being spent, or you just don't have a handle on it, or competition factors, what?

Rod Backman: There were several issues in the audit. There were some situations where the auditors found some long term service contracts, some contracts not in writing, some concerns where contracts did not have current language, etc. There should be some central location like state purchasing that deals with services and have some general guidelines. We did not have the vision to take over, but to develop some training system and guidelines. We do not have a strong feeling how this is to be done, but agree with the auditors that something needs to be done.

Rep. Skarphol: How many FTE's. Any one time expenditures in the budget.

Rod Backman: 30 total now, going to 31. Some facility projects, remodeling done each biennium.

Chairman Byerly: The Secretary of State wants public printing moved out of his office. Could centralized services handle this, would it be a better fit?

Rod Backman: It could probably better fit in state procurement than central duplicating. However, state procurement is general fund and would need to deal with this. Maybe a not worse fit.

(The committee discussed possible legal or constitutional issues, and requested someone to research this out).

Jo Zschomler, Director of Risk Management of OMB: She had written testimony included in the packet, and read from it. They keep in-house all but the large claims that require

special attention. They have enhanced the web site, that now includes the complete manual and quarterly bulletins, and reporting forms.

Rep. Skarphol: How many FTE's?

Jo Zschomler: 4 now, but they do have 5 FTE's but have combined two into one.

Rep. Skarphol: Are you hearing any concerns regarding smoke in the workplace in regard to workers compensation? Are we going to start to see claims for second hand smoking?

Jo Zschomler: No. This has not been a hot topic. May eventually be one.

Chairman Byerly: You have only been in place for 5 years, but have we been doing this long enough to see trends ?

Jo Zschomler: This year, for the first time, we are actually being able to read their data. Just starting to see trends now. We are holding pretty steady. Our claims average 250-300 a year. We had a couple of years with additional claims, but they have been low impact.

Rod Backman, Jo Zschomler: The actuaries have determined a contribution rate of all state agencies based on their statistics. WE are concerned about loss control, and take a proactive stance. They have set up a discount program for the agencies and have a ten step questionnaire, and if the agency can document completion of the ten steps, they are entitled to a discount on their contribution. Less completion of the steps, allows for a lesser discount.

Rep. Skarphol: The \$76,000 reduction, is that to unfund the position.

Jo Zschomler: No. At this point it is coming from our consulting fees. WE have been able to do more work in-house.

Rep. Skarphol: As a percentage, what do consulting fees come to?

Jo Zschomler, and OMB staff: \$200,000 for all professional services.

Curt Zimmerman, Director Facility Management: They have 65 FTE's that consists of custodial staff, maintenance staff, engineering staff, tour guide operations, central mail, grounds crew, residence staff. He has prepared written testimony in the packet, and read from that.

Rep. Carlisle: Last session we had a highway patrolman for security. How is that working out.

Curt Zimmerman: That is working out well. He reports that there is a new capitol security command center in place, and works closely with the highway patrol. They have 2 officers dedicated to capitol security. They have 4 nighttime officers and a contract with Bismarck Mandan Security for monitoring of security cameras. We have 24-7 coverage and have 17 camera locations on the complex.

Chairman Byerly: Curt within the law as it exists, do we have any facilities that receive donations for capitol type projects. There are some in the governor's residence, but how about the capitol. If some group were interested in raising money to re-bronze the columns, could they do that?

Curt Zimmerman: Don't have anyone doing it, other than the governor's residence.

OMB staff: To receive donations, a fund would have to be set up, and for facility management it would have to be put into the general fund.

Lyle Gallagher, Director of State Radio Communications: Had written testimony in the packet, and covered most of that. Did speak on the 911 system, and their duties involved in that and the backup system. They have 31 FTE's. The written testimony also included line items of the budget, and he went over these.

Rep. Koppelman: In the last few legislative sessions the 911 system has come up a lot in various ways, can you give us a status overview.

Lyle Gallagher: We are very proud of that and the savings of lives is very worth the trouble getting to this point. Sees some concerns still with calls from the highway and location needs. Technology will improve but they are abiding by the standards now. 911 calls are now routed to the nearest center, and can be routed to State Radio. State Radio will not transfer any calls away.

Rep. Skarphol: Any suggestion for cell phones?

Lyle Gallagher: There are possible new technologies for cell phones on the highway. The more heavily populated areas have some measurement technology that can be used, and there is GPS.

Rep. Skarphol: Why the \$400,000 of operating expense increase?

Lyle Gallagher: That would be a one time expense for engineering costs for the new system to develop it into the right direction.

Chairman Byerly: The money in the budget for mobile data terminals? Is this like half of the funds, and the other half is in the Highway Patrol budget?

Lyle Gallagher: This budget has the towers, the other budget has the units.

Ron Backman: Adds some comments, that last time was Phase I, and then there was a request to cover more of the state, like 10 more sites. In the governor's proposal we were moved to 5 sites and 30 cars. Some remote sites are just too costly.

(The committee discussed the 5 new suggested base stations in the towers, and requested a map of the coverage of these locations. Always looking for new technology to help this process.)

Rep. Glassheim: In regard to the Student Loan Trust Fund - how does that work and what is the money flow?

