

Fifty-fifth  
Legislative Assembly  
of North Dakota

## HOUSE BILL NO. 1440

Introduced by

Representatives Skarphol, Boucher, Dalrymple

Senators Grindberg, Lips, Robinson

1 A BILL for an Act to create and enact a new subsection to section 65-01-02 and five new  
2 sections to chapter 65-02 of the North Dakota Century Code, relating to a workers  
3 compensation board of directors; to amend and reenact section 65-02-01 of the North Dakota  
4 Century Code, relating to the director and division directors of the workers compensation  
5 bureau; to repeal section 65-02-08.1 of the North Dakota Century Code, relating to the workers  
6 compensation state advisory council; and to provide an effective date.

### 7 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

8 **SECTION 1.** A new subsection to section 65-01-02 of the North Dakota Century Code  
9 is created and enacted as follows:

10 "Board" means the North Dakota workers compensation board of directors.

11 **SECTION 2. AMENDMENT.** Section 65-02-01 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13 **65-02-01. Workers compensation bureau - ~~Executive director~~ Director - Division**  
14 **directors.** The bureau must be maintained for the administration of this title. The ~~governor~~  
15 board shall appoint the director of the bureau ~~who~~. The director is subject to the supervision  
16 and direction of the ~~governor board~~ and ~~who shall serve~~ serves at the pleasure of the ~~governor~~  
17 board. ~~The appointment must be on a nonpartisan, merit basis, in accordance with chapter~~  
18 ~~54-42. The governor shall set the compensation and prescribe the duties of the director.~~ The  
19 director may appoint the director of any division ~~of the bureau which is~~ established by the  
20 director. The appointment of a division director must be on a nonpartisan, merit basis.

21 **SECTION 3.** A new section to chapter 65-02 of the North Dakota Century Code is  
22 created and enacted as follows:

23 **Workers compensation board of directors - Appointment.**

1       1.   The initial board of directors shall consist of the members on the state advisory  
2       council on December 15, 1996. The initial board shall appoint the subsequent  
3       board to be effective September 1, 1997.

4       2.   The appointments must be made so that:

5       a.   Five board members are policyholders, at least one of whom must be a  
6       representative of the safety employment classification, at least two of whom  
7       must be from rate classes of twenty-five thousand dollars or more, at least  
8       one of whom must be from a rate class of ten thousand dollars to twenty-four  
9       thousand nine hundred ninety-nine dollars and ninety-nine cents, and at least  
10      one of whom must be from a rate class of less than ten thousand dollars.

11      b.   One member is an employee representative.

12      c.   One member is a representative from the state medical association.

13      3.   Board members shall serve four-year terms, except the members appointed by the  
14      state advisory council may serve shorter terms in order to initiate a cycle that  
15      results in at least one member's term expiring on July first each year, as  
16      determined by lot. Board members may not serve more than two consecutive  
17      terms. If any policyholder representative member serves two consecutive terms,  
18      the policyholder representative member appointed to replace that two-term  
19      member must represent a different employment classification.

20      **SECTION 4.** A new section to chapter 65-02 of the North Dakota Century Code is  
21      created and enacted as follows:

22      **Compensation of board members.** A board member is entitled to receive  
23      compensation in the same amount and manner as provided for legislative council committee  
24      members under section 54-35-10. A board member is entitled to reimbursement for mileage  
25      and expenses as provided for state officers, but the mileage allowance must equal the federal  
26      internal revenue service mileage allowance.

27      **SECTION 5.** A new section to chapter 65-02 of the North Dakota Century Code is  
28      created and enacted as follows:

29      **Board duties.** The board shall:

30      1.   Appoint a director on a nonpartisan, merit basis.

31      2.   Set the compensation of the director.

- 1        3. Ensure a proper response to any audit recommendations.
- 2        4. Provide an annual report to the legislative audit and fiscal review committee. The
- 3        report must be provided by the chairman of the board and the director.
- 4        5. Prepare the budget estimate of the bureau and submit the estimate to the office of
- 5        the budget as required under section 54-44.1-04.
- 6        6. Aid the bureau in formulating policies, discussing problems related to the
- 7        administration of the bureau, and in ensuring impartiality and freedom from political
- 8        influence in the solution of these problems.
- 9        7. Assist the bureau in formulating policies and discussing problems related to the
- 10       administration of the bureau, including adoption of rules, establishment of fees,
- 11       determination of employer premium rates, maintenance of the solvency of the
- 12       workers' compensation fund, and review of provision of rehabilitation services.
- 13       8. Adopt rules to ensure that a representative cross section of rate classes are always
- 14       represented on the board, that a rotational schedule is followed to ensure that no
- 15       single rate class is always represented on the board, and adopt procedures to
- 16       allow the board to impartially select new board members as terms expire.
- 17       9. Make appropriate recommendations and proposals for consideration by the
- 18       bureau.
- 19       10. Adopt rules relating to the election of a board chairman, formation of committees,
- 20       replacement of departing members, voting procedures, and other procedural
- 21       matters.

22        **SECTION 6.** A new section to chapter 65-02 of the North Dakota Century Code is  
23 created and enacted as follows:

24        **Independent audit.** Biennially, the director shall request the state auditor to select an  
25 audit firm with extensive expertise in workers' compensation practices and standards to conduct  
26 a performance audit of the divisions of the bureau during that biennium. The audit must  
27 evaluate the divisions of the bureau to determine whether they are providing quality service in  
28 an efficient and cost-effective manner. The audit report must contain recommendations for  
29 improvement. The director and the chairman of the board of directors shall present the audit,  
30 and report on any action taken as a result of the audit, to a special subcommittee of the  
31 legislative council's legislative audit and fiscal review committee. This subcommittee must

1 include up to three members from the staff of the office of management and budget and the  
2 state auditor's office.

3 **SECTION 7.** A new section to chapter 65-02 of the North Dakota Century Code is  
4 created and enacted as follows:

5 **Proposed budget - Target achievement budgeting.**

- 6 1. The bureau budget for August 1, 1997, to July 31, 1998, must follow the budget  
7 practices used in the previous year. The bureau budget for August 1, 1998, to July  
8 31, 1999, may be formulated in the same manner as the previous two years, or it  
9 may be formulated by using target achievement budgeting if the legislative  
10 council's audit and fiscal review committee approves the use of target achievement  
11 budgeting.
- 12 2. Target achievement budgeting includes the board meeting with bureau personnel  
13 to prepare a proposed budget and develop a program to establish relationships,  
14 ratios, and goals based on various categories within the budget. The target  
15 achievement budget must include principles of continuous improvement  
16 goalsetting.
- 17 3. Continuous improvement goalsetting is a procedure for implementing a  
18 team-oriented continuous improvement program throughout all operations of the  
19 bureau. The program must include a number of challenging, measurable goals to  
20 ensure the bureau maintains focus on improving those areas most important to its  
21 primary purpose, objectives, and mission.

22 **SECTION 8. REPEAL.** Section 65-02-08.1 of the North Dakota Century Code is  
23 repealed.

24 **SECTION 9. EFFECTIVE DATE.** Section 8 of this Act becomes effective September 1,  
25 1997.