

Fifty-fifth  
Legislative Assembly  
of North Dakota

## ENGROSSED 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.   On and after September 1, 1997, the board must consist of seven members. The  
5           appointment and replacement of the members must ensure that:
  - 6           a.   Five board members represent employers in this state that maintain active  
7               accounts with the bureau, at least one of which must be a participant in the  
8               risk management program, at least two of which must be employers with  
9               annual premiums greater than twenty-five thousand dollars, at least one of  
10              which must be an employer with an annual premium of ten thousand dollars  
11              but less than twenty-five thousand dollars, and at least one of which must be  
12              an employer with an annual premium of less than ten thousand dollars.
  - 13           b.   One member is an employee representative.
  - 14           c.   One member is a member of the North Dakota medical association.
- 15       3.   Board members shall serve four-year terms, except five of the members  
16           appointed by the state advisory council shall serve shorter initial terms as  
17           determined by lot in order to initiate a cycle that results in at least one, but not  
18           more than two, member's terms expiring on July first each year. Board members  
19           may not serve more than two consecutive terms. A departing member  
20           representing an employer must be replaced by a member representing an  
21           employer, most of whose employees are in a different rate classification than those  
22           of the employer represented by the departing member.

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

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

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

**Board duties.** The board shall:

1. Appoint a director on a nonpartisan, merit basis.
2. Set the compensation of the director.
3. Ensure a proper response to any audit recommendations.
4. Provide an annual report to the legislative audit and fiscal review committee. The report must be provided by the chairman of the board and the director.
5. Prepare the budget of the bureau as required under section 7 of this Act.
6. Assist the bureau in formulating policies and discussing problems related to the administration of the bureau, including adoption of rules, establishment of fees, determination of employer premium rates, maintenance of the solvency of the workers' compensation fund, provision of rehabilitation services, and ensuring impartiality and freedom from political influence.
7. Make appropriate recommendations and proposals for consideration by the bureau.
8. Adopt internal management rules relating to the election of a board chairman, formation of committees, replacement of departing members, voting procedures, and other procedural matters.

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

**Independent audit.** Biennially, the director shall request the state auditor to select an audit firm with extensive expertise in workers' compensation practices and standards to conduct a performance audit of the functions and operations of the bureau during that biennium. The audit must evaluate the primary functions and operations of the bureau to determine whether the bureau is providing quality service in an efficient and cost-effective manner. The scope of the performance audit must be determined by the state auditor in conjunction with the independent audit firm. The audit report must contain recommendations for departmental improvement or an explanation of why no recommendations are being made. The director, the chairman of the board of directors, and if requested by the committee, the audit firm shall present the audit, and report on any action taken as a result of the audit, to a special subcommittee of the legislative council's legislative audit and fiscal review committee. This subcommittee must include up to three members from the staff of the office of

1 management and budget and the state auditor's office. The director, the chairman of the board  
2 of directors, and, if requested by the committees, the audit firm shall present the audit, and  
3 report on any action taken as a result of the audit to the house and senate industry, business  
4 and labor standing committees during the next regular session of the legislative session  
5 following the audit. The chairman of the board of directors shall provide a copy of the audit  
6 report to the state auditor.

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

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

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

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

28       **SECTION 9. EFFECTIVE DATE.** Section 8 of this Act becomes effective September 1,  
29 1997.