

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

GOVERNMENT SERVICES COMMITTEE

Thursday, September 30, 2010
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Ken Svedjan, Larry Bellew, Randy Boehning, Kari L. Conrad, Glen Froseth, Bette B. Grande, Karen Karls, Ralph Metcalf, Michael R. Nathe, Louise Potter, Dave Weiler, Alon C. Wieland; Senators Dick Dever, Carolyn Nelson

Members absent: Representatives David S. Rust, Blair Thoreson; Senators Robert M. Horne, Elroy N. Lindaas, Richard Marcellais

Others present: Sara E. Chamberlin, Legislative Council, Bismarck

Representatives Al Carlson and Bob Skarphol, members of the Legislative Management, were also in attendance.

See [Appendix A](#) for additional persons present.

It was moved by Senator Nelson, seconded by Representative Bellew, and carried on a voice vote that the minutes of the August 17, 2010, meeting be approved as distributed.

CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY

Consultant Recommendations

Mr. Neville Kenning, Vice President, Hay Group, Los Angeles, California, presented information ([Appendix B](#)) to clarify the analysis and preliminary findings relating to salary inequities, retention bonus, trends, and fringe benefits presented at the August 17, 2010, committee meeting.

Mr. Kenning presented Hay Group's findings and recommendations relating to the classified state employee compensation system study ([Appendix C](#)). He said the recommendations are identified as "must do," "should do," and "nice to do." Significant recommendations identified as "must do" include:

- Develop a compensation philosophy statement that includes the following components:
 - Market.
 - Compensation.
 - How pay ranges will be established.
 - How pay will move.
 - Roles and accountabilities.
 - What will be stated in code, policy, and procedure.
- Provide job evaluation training for Human Resource Management Services job evaluators

and classification/reclassification committee members.

- Review and refine job evaluation benchmarks.
- Review nonbenchmark classifications and develop a revised classification schematic.
- Conduct a grade structure redesign and grade reassignment of benchmark and nonbenchmark classifications.
- Develop a custom salary survey and market analysis for the local market.
- Identify job family/occupational groups that require different pay strategies from general pay classifications.
- Develop salary ranges for the general pay structure and the job family/occupational group structures.
- Decrease the size of salary ranges and perform a cost-to-implement analysis.
- Increase basic life insurance benefit from the current level of \$1,300 to at least the employees's annual salary level or a flat dollar benefit of at least \$25,000.
- Base salary adjustments on performance and equity through one allocation of funds rather than separate allocations for each. Apply the following principles for salary adjustments:
 - For a position that is below the market target, provide both a market and a performance adjustment.
 - For a position which is above the market target, provide a performance adjustment only.
 - For a position which is near the maximum of the salary range, provide a performance adjustment consisting of base salary increase and a lump sum payment.
- Communicate the level of funding provided for salary adjustments as a dollar amount rather than a percentage attributable to all employees.
- Appropriate funding for anticipated payments relating to accrued annual and sick leave balances.

State Compensation Philosophy Statement

Ms. Sara E. Chamberlin, fiscal analyst, Legislative Council, presented a memorandum entitled [Proposed North Dakota Compensation Philosophy Statement - Draft](#). She said the compensation program for

classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota. She said compensation is defined as base salary and related fringe benefits. She said the statement indicates that the compensation program include a competitive employee compensation package, be based on principles of fairness and equity, and include a consistent compensation policy with multiple pay plans to address varying occupational specialties.

Mr. Kenning suggested the statement be changed to allow for multiple pay structures. He suggested a specific percentage relative to market levels should be in a compensation policy but not in the statement. He suggested the statement provide that salary range midpoints be set at an appropriate level based on relevant labor markets. He suggested removing any reference to cost-of-living adjustments when referring to salary adjustments.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

Ms. Pam Sharp, Director, Office of Management and Budget, commented on behalf of the Governor and the Office of Management and Budget (OMB) on the draft compensation philosophy statement. She suggested the statement be less-detailed. She suggested removing reference to the needs of the state and the tax burden on North Dakota citizens. She suggested that provisions relating to removal of programs or a reduction in the number of state employees during difficult fiscal conditions be removed since these decisions relate to the overall budget.

Ms. Sharp said the Governor's office and OMB welcome the findings and recommendations included in the employee compensation study conducted by Hay Group.

Ms. Laurie Sterioti Hammeren, Director, Human Resource Management Services, said a compensation philosophy statement helps employees understand the compensation process and allows them to become engaged in the process. She said employees should be motivated by a philosophy statement. She said Human Resource Management Services would support a transition to a Hay Group compensation system but would require additional funding for training. She said a valid market survey would also require additional funding.

Mr. Stuart Savelkoul, Executive Director, North Dakota Public Employees Association, presented testimony ([Appendix D](#)) on the draft compensation philosophy statement. He said the association is encouraged that the draft compensation philosophy statement makes reference to the compensation system being based on principles of fairness and equity and that it recognizes the need for annual compensation adjustments. He said Minnesota and Colorado employees should be included when defining a relevant labor market.

Representative Carlson suggested the committee consider options to allow for Hay Group's findings and recommendation to be implemented as soon as possible.

Chairman Svedjan asked Mr. Kenning to provide the Legislative Council staff with suggested changes to be made to the draft compensation philosophy statement and other items that should be included in a bill draft to adopt the statement. He also asked Mr. Kenning to present a proposal to the committee at its next meeting identifying an implementation plan and the estimated cost of Hay Group assisting in the implementation of the findings and recommendation included in the employee compensation study.

In response to a question from Representative Svedjan, the legislative budget analyst and auditor said the Legislative Council staff will prepare a bill draft for the next meeting which will include the draft compensation philosophy statement and other items from Hay Group's recommendations that require legislation to implement.

STATE ELECTED OFFICIALS' SALARY STUDY

The committee discussed the elected officials' salary study. Chairman Svedjan asked Human Resource Management Services to provide an updated 10-state comparison of elected officials' salaries at the next committee meeting and information regarding how other states provide for salary increases for elected officials.

CAPITOL COMPLEX AND STATE FACILITIES STUDY

Mr. John Boyle, Director, Facility Management Division, Office of Management and Budget, presented a report ([Appendix E](#)) relating to the Capitol complex and state facilities study. He said the information included in the report is a compilation of the information provided to the Government Services Committee throughout the 2009-10 interim. The information was used by OMB to evaluate the feasibility of constructing a new office building on the Capitol grounds.

Mr. Boyle said the 2000 Capitol grounds master plan recommends construction of three new office buildings totaling 286,000 gross square feet on the Capitol complex within the next 30 years based on the projected growth of full-time equivalent employees. He said the first office building proposed in the master plan is to consist of 156,000 gross square feet and was to be built by 2005. He said the construction of the Century Center office building owned by Workforce Safety and Insurance alleviated the need for the first building. He said the two additional buildings are suggested for construction in the 22nd and 27th years of the master plan.

Mr. Boyle said deficient office space at all locations in Bismarck is less than 1.3 percent of the total 898,963 occupied square feet. He said only one-third

of office space occupied by state employees in Bismarck is leased. Based on this information, he said, OMB does not recommend constructing a new building but recommends that the Facility Management Division provide additional assistance to all state agencies for lease negotiations.

In response to a question from Representative Skarphol, Mr. Boyle said he would provide information at the next committee meeting regarding the number of state employees located in the leased office spaces in Bismarck and Mandan.

In response to a question from Representative Potter, Mr. Boyle said he provides information to the Legislative Assembly each biennium regarding the current construction costs in Bismarck and the average cost per square foot to lease space in Bismarck.

Representative Conrad said she believes the Facility Management Division should develop a plan for construction of a state office building to reduce costs incurred for leasing office space.

Representative Potter said she believes a cost versus build analysis should be conducted to determine if a new building is feasible.

Chairman Svedjan asked Mr. Boyle to provide information at the next committee meeting regarding the estimated 2013 cost of a new building, including 4 percent, 5 percent, and 6 percent rates of return.

Representative Conrad requested the information also include the estimates with no rate of return.

Mr. Bob Savageau, coowner of the former Home Depot building in north Bismarck, said his group of

investors is offering to sell the 127,000-square-foot building to the state for \$5 million. He said the parking lot could accommodate 419 cars.

In response to a question from Representative Boehning, Mr. Savageau said a second floor could be added to the building, but it would be at substantial cost.

Chairman Svedjan said the committee will further discuss the various options available at the next committee meeting.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Svedjan said the next meeting of the Government Services Committee is tentatively scheduled for October 27, 2010.

No further business appearing, Chairman Svedjan adjourned the meeting at 3:15 p.m.

Becky Keller
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5