Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

GOVERNMENT FINANCE COMMITTEE

Wednesday, February 9, 2022
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Michael Howe, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Michael Howe, Jeff Delzer, Jared C. Hagert, Gary Kreidt, Lisa Meier, Corey Mock, Dave Nehring, Gary Paur, Mike Schatz, Jim Schmidt, Steve Vetter, Don Vigesaa; Senators Brad Bekkedahl, Richard Marcellais, Ronald Sorvaag

Member absent: Representative Pamela Anderson

Others present: Representative Glenn Bosch, Bismarck; Senator Donald Schaible, Mott, members of the Legislative Management
Allen H. Knudson, Legislative Council, Bismarck
See Appendix A for additional persons present.

It was moved by Representative Mock, seconded by Representative Vetter, and carried on a voice vote that the minutes of the December 14, 2021, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Joe Morrissette, Director, Office of Management and Budget, presented a report (Appendix B) on the status of the general fund and balances of selected state special funds. He noted the Office of Management and Budget is coordinating with the State Treasurer's office to distribute approximately $53.2 million of federal fiscal recovery funding to cities, but $21,000 will be reallocated to the state from 4 cities declining the funds and $346,000 will be reallocated to other cities resulting from 26 cities declining funds and 24 cities not responding. He indicated the budget guidelines are anticipated to be released by early May 2022 for the development of the executive budget for the 2023-25 biennium.

Mr. Morrissette presented information (Appendix C) regarding a template for agency fee reporting. He noted the template includes the criteria requested by the committee with state agencies required to submit the completed template by the statutory deadline in July 2022.

CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, reviewed a memorandum entitled *Classified State Employee Compensation System Study - Background Memorandum* regarding previous state employee compensation studies and recent state employee compensation system changes.

Mr. Lynn Hart, Classification and Compensation Manger, Human Resource Management Services Division, Office of Management and Budget, presented information (Appendix D) regarding the classified state employee compensation system, recent changes to the classifications, the reasons for the changes, and the costs and benefits of the changes. He noted the Human Resource Management Services Division did not present the proposed classification system changes to the Legislative Assembly but received approval from the State Personnel Board to proceed with the changes.

In response to questions from committee members, Mr. Hart noted:

- The new salary ranges provide more flexibility to state agencies for setting starting pay levels but some state agencies may request salary equity funding in the future if the state employees are at the bottom of the pay range.

- The Hay Group study in 2011 reviewed state employee benefits along with pay and weighted the value of the benefits at 30 percent for comparison purposes.
- The compensation system does not specifically address affordability factors for areas of the state with higher costs, but state agencies have flexibility to determine starting pay rates within the pay grades.

Mr. Hart presented information (Appendix E) regarding executive branch employees who received a cumulative salary increase of 15 percent or more since March 31, 2021, pursuant to North Dakota Century Code Section 54-44-04.

Ms. Stacey Breuer, Chief People Officer, Human Resource Management Services Division, Office of Management and Budget, presented information (Appendix F) regarding bonuses provided by state agencies to recruit and retain employees in hard-to-fill positions, employer-paid costs of training or educational courses, and employer-paid costs for dues of professional organizations and service clubs.

LAW ENFORCEMENT RECRUITMENT AND RETENTION STUDY

Mr. Mathiak reviewed a memorandum entitled *Law Enforcement and Correctional Officer Recruitment and Retention Study - Background Memorandum* regarding other statutory recruitment and retention programs and the budgets for the Highway Patrol and Department of Corrections and Rehabilitation.

Mr. Travis Engelhardt, Human Resources Director, Department of Corrections and Rehabilitation, provided comments (Appendix G) regarding the recruitment, retention, turnover, and training of correctional officers. He indicated the department has observed an improvement in recruiting and retaining correctional officers by emphasizing the department's mission. He noted the employee turnover rate in 2021 ranged from 19 to 38 percent, which has been challenging due to a lower number of new applicants. He noted the department's pay rates for correctional officers are less than the pay rates for correctional officers in Burleigh and Cass Counties.

Captain Jody Skogen, Administrative Services Commander, Highway Patrol, provided comments (Appendix H) regarding the recruitment, retention, turnover, and training of law enforcement officers. He indicated all recruits receive a $2,500 sign-on bonus upon completion of probation while current employees receive a $1,000 recruitment bonus for recruiting a trooper who successfully completes probation. He noted there was a positive response from troopers when the Highway Patrol transitioned from five 8-hour shifts to four 10-hour shifts per week to allow troopers to have additional days away from work. He noted the turnover rate for the past 6 years has averaged 4.5 percent.

Mr. Steve Harstad, Chief Agent, Bureau of Criminal Investigation, Attorney General's Office, provided comments regarding the recruitment, retention, turnover, and training of law enforcement officers. He noted agents have expertise in specialty areas to oversee complex investigations and to assist local law enforcement with their investigations. He indicated the state's fully paid health insurance plan has been a useful tool for recruiting and retaining agents. He noted retaining agents has been a challenge in the northwestern area of the state because Williams County and Williston offer higher starting salaries for law enforcement positions.

Ms. Donnell Preskey, Executive Director, North Dakota Sheriff's Association, provided comments (Appendix I) regarding the recruitment, retention, turnover, and training of county law enforcement and correctional officers. She noted over 80 percent of local law enforcement in North Dakota has less than 10 years of experience based on a survey of county and city law enforcement agencies. She indicated income tax exemptions, recruitment and retention bonuses, and scholarships may help to address local law enforcement staffing challenges.

Mr. Jason Ziegler, Chief, Mandan Police Department, provided comments regarding the recruitment, retention, turnover, and training of law enforcement officers in the city of Mandan. He noted the Mandan Police Department has high turnover with many officers accepting county or state law enforcement positions, which offer higher starting pay.

Senator Bekkedahl noted Williams County approved a 1 percent sales tax dedicated to public safety, which has provided additional funding for the county to increase law enforcement wages and purchase safety equipment.

CASH MANAGEMENT STUDY

Mr. Mathiak reviewed a memorandum entitled *Cash Management Study - Background Memorandum* regarding constitutional and statutory provisions related to cash management of state funds and the proposed study plan.

Mr. Thomas Beadle, State Treasurer, provided comments regarding an overview of the role of the State Treasurer's office in the cash management process. He indicated interest rates on state accounts are low due to

market conditions. He noted the State Treasurer's office coordinates closely with Bank of North Dakota, the Office of Management and Budget, and other state agencies to manage state funds.

Mr. Ryan Skor, Director of Finance, State Treasurer's office, provided comments (Appendix J) regarding the role of the State Treasurer's office in the cash management process, including current cash management practices, challenges with the timing of state revenues and expenditures, investment of state funds, investment returns, and suggestions for alternative cash management practices. He noted some inflows and outflows follow a regular pattern whereas others may be one-time or irregular transactions. He indicated the Bank of North Dakota does not charge fees for banking services and transfers some of its profits to the general fund pursuant to legislative requirements.

Mr. Todd Steinwand, President and Chief Executive Officer, Bank of North Dakota, provided comments (Appendix K) regarding the role of the Bank of North Dakota in the cash management process, including current cash management practices. He noted the Bank's cash increased significantly since 2019 primarily related to federal funding distributed to the state. He indicated the Bank may request the Legislative Assembly refrain from transferring Bank profits to the general fund for the 2023-25 biennium to maintain the Bank's equity position.

Mr. Kris Ahmann, Treasurer, Bank of North Dakota, provided comments (Appendix L) regarding the Bank of North Dakota's process to forecast revenue deposits. He noted the Bank forecasts some of the state's tax revenues to plan for the timing of deposits.

Mr. Rob Pfennig, Chief Financial Officer, Bank of North Dakota, provided comments (Appendix M) regarding the Bank of North Dakota's deposit rates, investment strategy, and profits. He noted the Bank's deposit rates are based on the average of the rates offered by other large financial institutions in North Dakota.

In response to a committee member question, Mr. Steinwand said the Bank of North Dakota does not provide banking services to medical marijuana businesses in North Dakota because of federal banking regulations.

No further business appearing, Chairman Howe adjourned the meeting at 3:50 p.m.

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Adam Mathiak
Senior Fiscal Analyst

ATTACH:13