

2009 HOUSE APPROPRIATIONS

HB 1513

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1513

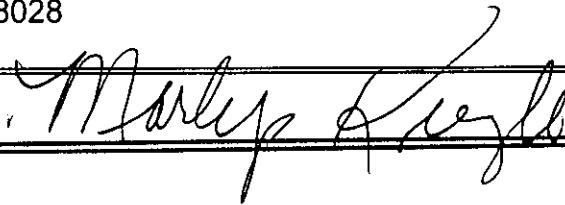
House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 28, 2009

Recorder Job Number: #8028

Committee Clerk Signature



Minutes:

Chm. Svedjan: called the House Appropriations Committee back to order and opened the hearing on HB 1513.

Rep. Berg approached the podium to testify in support of HB 1513. This bill does two things, it creates an environment where there is a financial incentive for an individual employee and the industry. First for employees, this would set up a \$10,000 innovation award. If an employee or a group of employees come up with idea to improve service to citizens of ND without increasing costs, or lower the cost to increases revenue to state. OMB would review, analyze and educate people interested in applying for this award. LC would make final decision on award recipient. \$200,000 set aside for 10 separate awards over a two-year period. This comes from turn back money. If the turn back is an excess of what is reported at this point to Legislative Council and to us. The \$200,000 would not impact the General Fund.

Rep. Berg directed the Committee to line 19, p. 2 section 2.

Chm. Svedjan: In that section (5:00) you indicate that the proposal must have a perceived value to state government of \$10,000. Does that mean that if this was accepted as a projected that would be awarded and they are awarded \$10,000? Rep. Berg: Correct. My vision is that if someone would have an idea they are going to implement it and they are going to have a savings, they then would apply for the reward.

Chm. Svedjan: So there is a savings of \$250,000 dollars and the reward would be \$10,000 reward. There is the potential for a dollar for dollar award.

Rep. Berg: No they would be put on top of the list.

Rep. Kempenich: It's up to \$10,000 there is a cap?

Rep. Berg: I wanted to keep it simple so it is up to \$10,000 each or ten awards.

Rep. Ekstrom: Is there a vetting process? What if an employee has an idea but the agency head says, "no we can't do that." What would happen if someone would corrupt the idea so they would receive the reward?

Rep. Berg: Refers Committee to Line 13, p. 1. The essence is that the agency will benefit if they also come up with these ideas. The agency could keep 25% of their savings.

Chm. Svedjan: Is that 25% per year because the language is 50%?

Rep. Berg: Yes. If there was a savings of \$100,000 to the state, the agency would retain 25%.

Section 3, page 3 may explain that better. On line 9, OMB is charged with knowing that the savings are real ongoing savings, what can be done with the savings and what "one-time" money is. The bonus could be used in a one-time fashion. Talking about the 50%, if there was a cost to implement something to save money they could use that 50% of that savings. Page 2, we are giving them an incentive for employees. An agency could grant early retirement benefits and incentives, 2 years health insurance premiums, Will get a ability to give a special incentive to go in who would want to retire.

Chm. Svedjan: The Health ins. Premium feature intended for someone who chooses early retirement.

Rep. Berg: The intention is that if you have a change, may be opportunity to let someone retire early when your department could go from 10 to 4 employees and still give service to the people of North Dakota, you could offer the early retirement and the benefits.

Rep. Onstad: On P. 2, when you talk about the \$10,000 has there been any consideration to doing a percentage award based on the savings? The percentage could be capped at \$10,000.

Rep. Berg: None of these are set in stone. I would like people thinking about delivering services better, more efficiently and at a lower cost. I don't want to create an environment where the benefit is equal to \$10,000.

Chm. Svedjan: So the employee and the agency are awarded in all cases? There are two awards, the cash award for employee and monetary reward to the agency for four years.

Rep. Berg: That is correct. They would not have to be working together, but they may not be.

Rep. Onstad: If an agency shows a huge savings, they could retain 25% of that going into the next biennium?

Rep. Berg: Correct. They would not have to return their carryover at the end of the biennium. They carry it forward.

Chm. Svedjan: The saving has to be in hard dollars and can't be a perceived savings?

Rep. Berg: Yes. This why OMB will need to go through that.

Rep. Meyer: Could this be used by an agency to become more efficient by firing employees?

Rep. Berg: Pam Sharp is not prepared to answer all these specifics. To me that does not fit this definition on Section 3, p. 3 which deals with unexpended appropriations.

Rep. Ekstrom: We have heard from many agencies who want to step outside the ITD program. Are we going there?

Rep. Berg: OMB has met with all these agencies and can assess some of those things. The challenge with ITD is that we have an overall budget. I would not limit any ideas.

Rep. Delzer: What kind of limit does Section 1 have on it as to the line of credit? The FN says \$4 million, but I don't see that in the bill.

Rep. Berg: My vision of them borrowing money is if OMB and the agency determined that there is a \$100,000 savings, they in turn could take \$50,000 over four years and move the change forward. There is a Reporting to the Budget Section. If we need a cap or limit, my challenge is if there is a huge home run out there, do we want to delay?

Rep. Delzer: How do we bind the next legislative session to honor this? That's what this will do.

Rep. Berg: If you're binding the future legislature to spend less money on whatever it was?

Rep. Delzer: What happens if something comes in that looks like it should work but doesn't and costs more how would we handle that?

Rep. Berg: I don't have a good answer for that. We may have the mind the set with the agency and the employees down this road, we may have two deals that don't work and eight that do we will have a savings and better service to the people of the state of North Dakota.

Chm. Svedjan: It sounds like you need to get this program up and running and build it into the next budget when you have the hard dollar savings. Then you would know it worked. You are contemplating a couple of amendments?

Rep. Berg: I'm most concerned with the line of credit. Welcomes suggestions.

Pam Sharp, OMB, spoke in support of HB 1513. Regarding Rep. Meyer's question about firing employees, we would set up a process within OMB and we have the expertise in OMB in the different divisions, in the budget analyst and the knowledge that we have in the different agency to ferret that type of thing out. We would look for that and make sure it wasn't something taken away from the agency or sabotaging another program. Regarding binding the next legislature, I think the budget analysts would take that into account in preparing the next budget. The agency would be behind the cost savings as well.

Rep. Kempenich: How would a team effort be handled?

Pam Sharp concluded her testimony.

Chm. Svedjan: Is there anything else in code that resembles this?

Ms. Sharp: Yes there is the Employee incentives but on a much smaller scale. (28:00) It is just a working level employees, not managers or supervisors that can participate. It's similar. The reward is limited to 20% of the savings at a cap of \$2000.

Rep. Skarphol: I have difficulty wondering what's wrong with people wanting to work harder and not needing as many employees. What is wrong with that?

Ms. Sharp: It could be a viable program but we would want to make sure that it is a do able program.

Rep. Skarphol: If those employees can do the job in the 40 hours without filling the vacant position wouldn't we save money giving the \$10,000.

Ms. Sharp: Yes.

Rep. Thoreson: Why were the supervisors excluded in the program we now have?

Ms. Sharp: I do not know. I think that they started with the people that do the work. I do think that they thought the supervisor's job was to look for these savings anyway and not necessarily for the person who does the work. This was set up a long time ago.

Rep. Klein: Regarding Rep. Thoreson's question. The suggestion program was implemented years ago. It was never meant for supervisors since they should be doing that already.

Chm. Svedjan closed the hearing on HB 1513.

Chm. Svedjan adjourned the meeting.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1513

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: # 8844

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|---------------------------|
| Committee Clerk Signature |
|---------------------------|

Minutes:

Chm. Svedjan: Opened the hearing for HB 1513.

Rep. Berg moved a Do Pass. Rep. Thoreson seconded the motion.

Rep. Berg recapped the bill.

This really does two things. This creates incentives for agencies as well as employees to be innovative in ways to lower the cost of government, improve the service without the long term cost or hopefully generate more revenue for the state.

I didn't really talk to anyone about the FN. But the FN is made of two parts, one up to a \$200,000 appropriations for 10 employee awards per year, but that \$200,000 is only if our turn back is higher than is higher in the forecast. The other part of the FN is that the turn back is just the same and it would cost us 4 million dollars.

I do think with an incentive like this in place we probably we will see a much higher turn back from agencies that will come into the general fund to become appropriated, simply because we are saying they can keep 24% of their turn back. If that turn back is a true savings analyzed by OMB.

HB 1513 **Do Pass** 20 yes, 4 no and one absent.

Rep. Berg: Is the carrier of the bill.

FISCAL NOTE

Requested by Legislative Council

02/18/2009

REVISION

Bill/Resolution No.: HB 1513

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2007-2009 Biennium | | 2009-2011 Biennium | | 2011-2013 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$8,250,000) | | (\$4,000,000) | |
| Expenditures | | | \$8,250,000 | | \$4,000,000 | |
| Appropriations | | | \$8,250,000 | | \$4,000,000 | |

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

| 2007-2009 Biennium | | | 2009-2011 Biennium | | | 2011-2013 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Sec. 1 Unable to determine

Sec. 2 Fiscal impact is \$200,000 based on contingent approp. in Sec. 4

Sec.3 Fiscal impact is based on 25% of the estimated gen fund turnback for 07-09, which amounts to \$8,050,000 and would not be carried forward to 09-11

Total of Sec 2 and 3 is \$8.25 million.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|----------------------|-----------|-----------------------|------------|
| Name: | Pam Sharp | Agency: | OMB |
| Phone Number: | 328-4606 | Date Prepared: | 02/18/2009 |

FISCAL NOTE
 Requested by Legislative Council
 01/20/2009

Bill/Resolution No.: HB 1513

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2007-2009 Biennium | | 2009-2011 Biennium | | 2011-2013 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | (\$4,000,000) | | (\$4,000,000) | | (\$4,000,000) | |
| Expenditures | | | \$4,000,000 | | \$4,000,000 | |
| Appropriations | | | \$4,000,000 | | \$4,000,000 | |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2007-2009 Biennium | | | 2009-2011 Biennium | | | 2011-2013 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Sec. 1 Unable to determine fiscal impact.

Sec. 2 Fiscal impact is \$200,000 based on contingent approp. in Sec. 4

Sect.3 Fiscal impact is based on 25% of the average general fund turnback for the last 4 bienniums, which amounts to \$3.8 million.

Total of Sec 2 and 3 is \$4 million.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|--------------|-----------|----------------|-----|
| Name: | Pam Sharp | Agency: | OMB |
|--------------|-----------|----------------|-----|

Phone Number: 328-4606

Date Prepared: 01/21/2009

Date: 2/5/09
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1513

Full House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Berg Seconded By Thoreson

| Representatives | Yes | No | Representatives | Yes | No |
|-------------------------|-----|----|-----------------|-----|----|
| Chairman Svedjan | ✓ | | | | |
| Vice Chairman Kempenich | ✓ | | | | |
| Rep. Skarphol | ✓ | | Rep. Kroeber | ✓ | |
| Rep. Wald | ✓ | | Rep. Onstad | ✓ | |
| Rep. Hawken | ✓ | | Rep. Williams | ✓ | |
| Rep. Klein | ✓ | | | | |
| Rep. Martinson | ✓ | | | | |
| Rep. Delzer | | ✓ | Rep. Glassheim | ✓ | |
| Rep. Thoreson | ✓ | | Rep. Kaldor | ✓ | |
| Rep. Berg | ✓ | | Rep. Meyer | ✓ | |
| Rep. Dosch | ✓ | | | | |
| Rep. Pollert | ✓ | | Rep. Ekstrom | | ✓ |
| Rep. Bellew | | ✓ | Rep. Kerzman | | ✓ |
| Rep. Kreidt | ✓ | | Rep. Metcalf | | ✓ |
| Rep. Nelson | ✓ | | | | |
| Rep. Wieland | ✓ | | | | |

Total (Yes) 20 No 4

Absent 1

Floor Assignment Rep. Berg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 5, 2009 4:38 p.m.

Module No: HR-23-1849
Carrier: Berg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1513: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO PASS
(20 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1513 was placed on the
Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1513

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1513

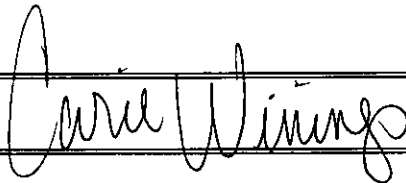
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/04/2009

Recorder Job Number:

Committee Clerk Signature



Minutes:

Chairman Cook: Opened hearing on HB 1513.

(Tape begins just after the beginning of Representative Berg's testimony)

Representative Rick Berg, District 45: Testified as sponsor and in support of the bill.

(Explains the bill)

4.50 **Vice Chairman Miller:** I am kind of wondering about the \$10,000 to an employee, is that a gift?

Representative Berg: It is a bonus. We are talking about innovative ideas that would generate more revenue, improve the services to the public, or expand our economy. The benefit has to be that value or more.

Vice Chairman Miller: What about the term "expansion of state's economy", do you think that might create some issues with interpretation?

Representative Berg: I interpret it as expansion of our economy and generating more revenue to our state. It is broad to allow for that. I just want to reward people with good ideas that benefit our state.

8.40 **Chairman Cook:** Comment on personal experience. I am trying to equate that to this bill. We are talking about practices and how it will work. It is easy in the private sector, but how will

this work in government? We are looking for practices, and I am wondering how they are evaluated and really if they are going to be worth anything they sooner or later have to show up in a budget that reduces the cost of that particular agency and therefore reduces the tax burden on the citizens of North Dakota who paid for it. It is easy in the private sector, but I am trying to picture how this will work in government.

Representative Berg: That example is exactly what I am talking about. I think in a way we are going to have people in state government who are going to be looking for these ideas and they are going to want input from the public on how to improve their service.

Chairman Cook: So if they come up with something, how is that going to show up in a budget?

Representative Berg: The Legislative Council has to approve it for the person to get the bonus. They have to prove there is a savings.

Chairman Cook: Do you know of any other states that have this?

Representative Berg: I have not had time to research this.

13.27 **Vice Chairman Miller:** Do you have a comment on the fiscal note?

Representative Berg: I think that this was the amount of the turn back this year. Let me find out what exactly the fiscal note is and get back to you.

Senator Dotzenrod: On page 3 there, the purchase of assets with an estimated useful length of 5 years or more, that is to prevent from buying something like copy paper and laptop computers and things like that, I am not sure what you are getting at?

Representative Berg: I thought in my own mind that something that is 5 years or longer that is a onetime investment – a capital investment.

Chairman Cook: Further Testimony? (no)

Closed hearing.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1513

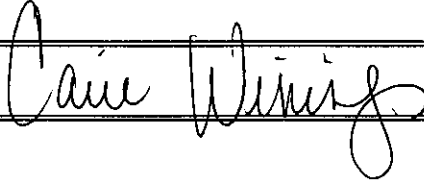
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/10/2009

Recorder Job Number: 10609

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1513. Anyone have any feelings on this bill?

Senator Anderson: It is awful hard to be against it. I don't know what to say about this one.

Senator Triplett: You end up with individual people upset with someone else because they stole their idea and cashed in on it.

Vice Chairman Miller: I don't have a problem with the idea. If we do it, I would like to see it sunsetted.

Senator Anderson: It is their job really.

Chairman Cook: I have seen it work in the private sector. It is a lot of work to implement.

Senator Oehlke: We had one person that spoke to this, and that was the sponsor. There was not any opposition. Isn't there already a way to provide for this?

Chairman Cook: the fiscal note is \$8 million.

Senator Hogue: I cannot speak to this specifically since I was not here for the testimony.

Discussion: The discussion continued on concerning the fiscal note and whether or not there really are programs already out there available and whether it is worth while attempting. There was also discussion as to why the sponsor did not give any information or have anyone testify as to current programs that are working or ways that it could be implemented.

Vice Chairman Miller: Moved a Do Not Pass.

Senator Anderson: Seconded.

Chairman Cook: Discussion?

Vice Chairman Miller: There doesn't seem to be very much zeal behind the bill.

Senator Anderson: I would like to see it more specifically for everyone.

Chairman Cook: I would like to see some state agencies up here saying what they would do in their departments.

Senator Triplett: I wonder if they had that kind of support on the House side, and if maybe we were passed over.

A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.

Senator Miller will carry the bill.

Date: 03/10/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1513

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Miller Seconded By Senator Anderson

| Senators | Yes | No | Senators | Yes | No |
|---------------------------------|-----|----|-------------------------|-----|----|
| Sen. Dwight Cook - Chairman | ✓ | | Sen. Arden Anderson | ✓ | |
| Sen. Joe Miller - Vice Chairman | ✓ | | Sen. Jim Dotzenrod | ✓ | |
| Sen. David Hogue | ✓ | | Sen. Constance Triplett | ✓ | |
| Sen. Dave Oehlke | ✓ | | | | |
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Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Miller

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 10, 2009 3:41 p.m.

Module No: SR-43-4515
Carrier: Miller
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1513: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1513 was placed on the Fourteenth order on the calendar.