

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Education and Environment Division

Roughrider Room, State Capitol

SB 2119
3/21/2017
29562

- ☐ Subcommittee
☐ Conference Committee

J. Minneth

A bill authorizing the state of North Dakota acting through Job Service to sell certain property; and to declare an emergency.

Minutes:

Chairman Monson: called the meeting to order.

Vice Chairman Streyle: I think we need to study the sale of all 3 of the buildings. I'd like to see an amendment that the attorney general can lease base up to 6,000 square feet in the Minot building and shall lease the entire building in Bismarck. They are either going in there or on the fourth floor right now. We need to provide some money for them to transition to their regional center and renovate that how they need be. Getting the attorney general's 6 buildings in Bismarck into one building would save a little over a million dollars a biennium. The intent would be, depending on what the study is, that we buy the building in Bismarck and potentially the one in Minot and whatever we do with the one in Rolla. If it were renovated properly, there would be enough space in it.

Chairman Monson: You are saying we would put some money into renovating the Bismarck building, and Job Service would move out of that building and AG's Office would move into that building? Then we would have to renovate another building in town where Job Service would locate?

Vice Chairman Streyle: Basically get all the AG's satellite offices around town put into one building would save over a million dollars a biennium at \$6 and some per square foot. I don't think we need to necessarily appropriate money to renovate, because their savings alone is way more than they need to renovate any of the buildings. Of course, they would need secure facilities, etc. for BCI so that might cost extra. The same thing up at Minot. That would need to be a secure evidence facility because of the nature what BCI does. We will study them in the interim with the intent that we would buy them, and they would be under facilities management going forward. Let's start with moving Job Service to another building. They are going to need money in their budget to renovate that building a little bit so they can fit their entire staff in that building. I don't know what that number is.

Chairman Monson: Job Service would still be the landlord of that building here in Bismarck? Job Service will still own it, and Attorney General will pay a fair lease amount to Job Service?

Vice Chairman Streyle: Correct. I don't know what that dollar amount is. The number of \$6 and some was floated. Leases around town range from \$14 to \$17 right now. The one in Minot is around \$10.82. They may need a little more space in Minot. This would give them the space and is a good location. The space isn't being utilized now. If Job Service would leave that building in Minot, there would be extra space of 5,000 or 6,000 square feet. If HP were interested in that building, they would fill that building up along with the tenants they already have now.

Chairman Monson: We get Cheri out of the landlord business and put John Boyle in charge. The revenues would flow into Job Service's coffers. That would be the Bismarck one. What do you have on the Rolla one.

Rep Boe: We don't have anything going. I thought we were going to be able to transfer for a dollar, and now we found out we can't. We need to recoup some federal funds. We need an appraisal on the building which can't be done in a timely fashion. We will have to go to a lease to cover the heating, maintenance bill, or study it for two years.

Chairman Monson: To me the Rolla building is worthless as it sits. It is costing Job Service ND money to heat it. It is a worry and nobody is using it. When it is sitting there empty, it's costing us money. I think it has 0 value. A building in Rolla that was built in the 60's, the location is such that it isn't worth much to anybody except possibly Rolla, the county, or something. To me lease it for a buck and you don't have to pay the heat and we study it for 2 years.

Rep Boe: It is only an issue if the feds make it an issue, and it seems to be an issue. The lease is the way we are probably going to have to go.

Chairman Monson: You can't expect Rolette County to do repairs or remodel if they have it for only two years.

Rep Sanford: Is it possible that you are going to study it and you get an appraisal and they see they are ready to go for a dollar or whatever amount that you could give authority to close the deal if it went through Budget Section?

Chairman Monson: Levi Kinnischtzke can you write up some language to that effect?

Levi Kinnischtzke: I'm pretty sure we can.

Rep Sanford: I think it would give you an opportunity to employ a couple of Senators (Hoeven and Heitkamp) to do some negotiating.

Chairman Monson: Regarding Minot your idea, Rep Streyle, would be to study it, unless we could get language to make a transfer happen at Rolla before the next two years, that would benefit everyone including Job Service, the federal government, the state, and all the other agencies you have in mind.

Vice Chairman Streyle If they were to vacate there, they would have 12,000 excess square feet, and the Attorney General does not need that much. They would need 6,000. If you

moved HP in there, then the building is completely full, and it makes sense to have those two entities in the same building. HP, however, has a \$4 and some lease, so it is incredibly cheap. With the Attorney General being in at \$10.82, we'd have to have language in here to not fund that, therefore, breaking that lease. If you did it at \$6 at 6,000 square feet, it is pretty close to a wash. They would have to find \$10,000 in their budget, because the difference isn't quite 50%.

Chairman Monson: The building at Minot does have value. If we involve John Boyle again, he could work out all the details between HP, Attorney General, and Job Service ND. We'd have a different amount of money there.

Cheri Giesen, Director, Job Service: The intent of this was to keep my operating expenses to that end. Right now we do not need anything in statute to lease. We are working well with the AG's Office that has been on our 4th floor. I'm all for studying.

Chairman Monson: What is your intent in Minot? If John Boyle and Rep. Streyle can come up with a plan here that says AG and HP are going to move into your building and you are going to move out and find a different building, is that correct?

Cheri Giesen: I thought both of them could actually fit in there with us. All 3 of us would fit in it so we wouldn't have to vacate until we sell it.

Chairman Monson: If you want to sell it, we would put study language in here that gives you two years. This study means the appraisals are done, the prices are settled, etc. I don't see this as a legislative management study.

Vice Chairman Streyle: Why don't we put in language that it is the intent that the Attorney General, HP, Facilities Management, and Job Service work together on leasing their available square footage in Minot, and then they can figure it out? In two years if we buy that, so be it. If we don't, that is fine too. Regarding Bismarck, you could move to your other building and house everybody over there. What would you need to renovate the Bismarck building?

Cheri Giesen: We would not fit in that square footage. The Bismarck local office has 17,000 total square feet, and we still use space in that area. If we use 3/5 of our 44,000, that is over the 17,000 right away. We would have to move someplace else, and that is not even talking about a computer room. We would still end up leasing someplace else. If I remember it was around the 25,000-30,000 square feet.

Vice Chairman Streyle: How many employees would you have to relocate? How many employees if you took the whole building and put it into the regional office?

Cheri Giesen: About 10 of our staff.

Vice Chairman Streyle: You can easily fit 120 people in 17,000 square feet. I'll visit with John Boyle and I'd like to see the building.

Chairman Monson: As far as you selling this building and moving into a new one, I know you 're not going to get a new building built. We'll call it a study, not a legislative management study. The facilities study gets together in the next 2 years hoping this is solved and the next time we have to talk about the Bismarck building and that would be really good. This is SB 2119 as far as the budget SB 2016 we don't have time to talk about the budget. We plan to fit you in on Friday or on Monday. Closed the hearing on SB 2119.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Education and Environment Division Roughrider Room, State Capitol

SB 2119
3/27/2017
29697

- ☐ Subcommittee
☐ Conference Committee

Monson

Explanation or reason for introduction of bill/resolution:

An Act authorizing the state of North Dakota acting through job service North Dakota to sell certain property; and to declare an emergency.

Minutes:

Attachment 1

Chairman Monson: called the EE section of Appropriations meeting to order on SB 2119 Job Service. We are about 2 hours behind today. We have an amendment in front of us that Representative Streyle handed out. Levi, you want to explain this?

Levi Kinnischtzke LC: You should have the 17.8076.02003 amendment. (attachment 1)
1:00-

Section 1 studies selling the 3 properties in question: the Rolla property, the Minot property, and the main office property in Bismarck, to determine the historical purchase price, the funding source, and to make a determination on the potential sale of those properties. In section 1 there is some language that requires job service to collaborate with OMB and the Attorney General and Highway Patrol to lease certain portions of the Minot building to the Highway Patrol and the Attorney General but allowing job service to keep certain parts of the building for their use as well.

Chairman Monson: This is a "Job Service ND shall study", not a legislative study or an optional study. It will go to budget section, not the next legislative session.

Levi Kinnischtzke: There is a requirement in the last sentence of the section for job service to report its findings to budget by July 1, 2018. Section 2 addresses the leasing of the building at Rolla to Rolette County.

Chairman Monson: If the study finds out they can sell it by July 1 2018, then this lease can turn into a sale.

Levi Kinnischtzke: continues 4:30

Chairman Monson: The building will sell to Rolette County for \$1 after July 1 of 2018. If the value is greater than a \$1 Rolette County could buy it at 90% of value. If they don't want to buy it, it will sell for 100% of value. If it doesn't sell they can continue to lease it for \$1 a year until it is sold. I assume it will be a standard lease that would say job service doesn't have to put any money in to it.

Vice Chairman Streyle: I think the intent is that job service would have no expenses. They just get a buck and walk away. Rolette County would pay all expenses including heat and electricity.

Chairman Monson: If the roof leaks, they can't be expected to fix it on a building they don't own.

Vice Chairman Streyle: The lease will have to address that.

Levi Kinnischtzke : continues 8:55 Section 4 addresses the lease of the Bismarck Property to job service.

Vice Chairman Streyle: I propose to increase the job service to 80% of the building. They should be able to keep 40 people there.

Chairman Monson: You are telling job service they have to be in two locations?

Vice Chairman Streyle: They are now. Relocate the remaining employees to the regional office. The attorney general has money they can use to renovate and relocate. The savings are huge for the state, upwards of a million, because they are in 5 buildings now. They will have the Attorney General closer and it's hard to put a value on that. They'll get money back from the Attorney General's rent.

Chairman Monson: Who is going to be the landlord?

Levi Kinnischtzke: 12:15 I'll answer that by continuing on Section 5.

Vice Chairman Streyle: OMB, Job Service and AG would get together to figure out the lease. OMB/Ag and Job Service would be the Lessee. They would technically be renting from Job Service. OMB can do the maintenance; Attorney General would have to pick up their share, however they write the lease. They can determine those things.

Chairman Monson: Job Service ND would be collecting the rent, so we have to give them authority to collect special funds which should go into their budget to spend on the lights, heat, etc.; whatever the lease specifies.

Rep Boe: It is just our intention that it is a no net loss.

Vice Chairman Streyle: I am fine if they make a little money on operational costs. The lease does say shall so they will have to lease it.

Cheri Giesen Executive Director Job Service: I think back when we were going into deficit with our new I program. Thankfully you allowed us to use our FAIR fund to make us whole. We cannot all fit in the local office and we cannot vacate a building and lease it out without the federal government wanting their money back. I assume that applies to Rolla that we cannot vacate a building then lease it out. We would have to have liability insurance.

Chairman Monson: No, the county would have to pay for the insurance.

Director Giesen: So I would have to talk to Rolette County to see if they will pay for insurance with that \$1.

Rep Boe: Could you have a desk or terminal in the office available for a travelling employee and lease out the rest of the building?

Chairman Monson: You can't expect Rollette county to pay for roof repairs or the like because it could be sold out from under them. If they remodel it, then that is their expense. That is where you need to get together with John Boyle or whoever works out these leases and Rollette County to figure out the lease.

Vice Chairman Streyle: There is some risk, but it is for only a year. Rolette County would have more risk.

Director Giesen: What if the furnace went out, would we have to spend the \$20,000 to fix the furnace?

Vice Chairman Streyle: What would you do if it went out now? They are responsible for the maintenance.

Director Giesen: Why do we have to do it for a \$1, like it says in the last statement? Why can't I rent it for at least my operational cost?

Rep Boe: What are your operational costs? If Rolette County is paying all the expenses, then what are your costs?

Chairman Monson: You just collect the dollar and walk away. If you charged \$5000 then you would be responsible for maintenance.

Rep Martinson: Your lease is going to say Rolette County is going to lease the building for \$1. Rolette County shall pay ALL the other expenses. That will be in the lease.

Chairman Monson: You were shaking your head, is there something else you don't agree with? You don't like section 4?

Director Giesen: We are in two locations. We have several of our departments who work together at the administrative office. There is 9000 sq. ft. in the building. If we could stay where we are we could do it much less expensive. It is not in our best interest to separate those offices, especially now when we are doing a lot of projects and unemployment rewrite. I thought I was working well with AG office. There is no need for them to occupy my building and make me lease more space when I could've stayed there for half the expense it will cost to lease. We are more effective together. We needed 2/3 of the space of 44,000 sq. ft., we are not going to fit in that building.

Vice Chairman Streyle: So you need 300 sq. ft. per employee? How much of the 11,000 is unusable?

Director Giesen: John Boyle had used a figure of 250, but there is a lot of unusable space on the first floor. Out of the 44,000 we needed 2/3 of the building. We need office space for interviews and some things because of privacy. It wasn't designed for cubicles; it was designed for shelter.

Vice Chairman Streyle: If you have 100 employees on one floor and 10 on another, that's 180 ft. per employee if you leave half the employees there. Say 30% is unusable, you are still over 100 sq. ft. per employee.

Director Giesen: You could lease out the Bismarck office to the Ag's office and leave us where we are. That wouldn't disrupt our business. We need at least 50 parking spaces plus parking for our customers so we would need something leased or built for parking because they can't park on Century. I don't know why it won't work for the AG's office if they need less than 50 parking spots.

Vice Chairman Streyle: There is not enough space. 75% would give you a whole floor.

Director Giesen: We are highly collaborative; we have a UI Main frame project we are working together on now. Space, that's our problem, too.

Rep Boe: If we are playing a cake walk, and there's not room, send them to Rolla.

Chairman Monson: 36:17 When I read the bill, what was your plan?

Director Giesen: Our plan was to be transparent. I thought we'd do the study first. I thought we'd do a cost analysis before we sold the buildings. I thought we'd do this in two biennia.

Chairman Monson: What would you do if we sold the building.

Director Giesen: We'd do a cost basis analysis. I'm willing to kill the bill right now, except for Rolla. It would've been better in 3 different bills.

Vice Chairman Streyle: Grafton is not occupied right now, too. Let's put that in here, too. I don't care what the REI is. Well, let's sell Grafton, too.

Director Giesen: We already have permission to sell the Grafton building. DHS has first option to purchase that building. We had to wait for session so you could give them permission to buy that building. That is in the process and if DHS doesn't buy it, we will; sell it.

Rep Boe: 39:36 Were there any Fair funds involved with that building?

Director Giesen: It was all special funds.

Rep Martinson: Thank you for being honest about this. Don't leave beating yourself up. If this doesn't work out, it doesn't. I don't want you to leave thinking you made a mistake being transparent with us.

Chairman Monson: I think we should at least do section 1 and 2. Is Minot going to work for you?

Director Giesen: Which section is that under?

Levi Kinnischtzke: Minot would be identified in the study in Section 1 identifying that job service would work with OMB to develop a plan for Job Service, AG, and Highway Patrol to be in the building. It is in section 5 with the Bismarck office for the sale.

Director Giesen: Is that "shall" or "may"?

Levi Kinnischtzke: It is shall.

Vice Chairman Streyle: I move the amendment with 75% on the back instead of 85% of the space.

Chairman Monson: You're saying the Attorney General would get 3 floors? Or as much space as needed to collate all of the offices of the Attorney General in Bismarck, except those located in the state capitol. Is that still relevant?

Vice Chairman Streyle: 75%, striking as much as necessary.

Rep Martinson: second

Chairman Monson: section 5 is still in it.

Director Giesen: We need to get an understanding what vacate means.

Chairman Monson: We have a motion to move 02003 before us with the change in section 4 that takes 85% down to 75% and strike everything after the comma in that sentence. I'm not sure that it will work.

Vice Chairman Streyle: Also change the 25% to 15%.

Levi Kinnischtzke: We still need to include the legal description of the Bismarck office. It wouldn't be taking out that entire sentence.

Chairman Monson: Does your motion include language to collect funds and spend them?

Director Giesen: What are we going to do about parking? And it says I can't vacate a building.

Chairman Monson: I wasn't sure this would work, but I'm not sure it won't work.

Vice Chairman Streyle: Plus we will be discussing this in full committee.

Chairman Monson: Alright. **Voice vote Motion Carries.** So now we have 2119 amended.

Vice Chairman Streyle moved to Do pass as amended. Martinson seconded it.

Chairman Monson: a roll call vote was taken. Yea: 6 Nay: 0 Absent: 1 Motion Carries. Now we will have a version 02004. Rep Boe, you will carry. My intention would be that we would not have job service kicked out of their own building. Well that one is behind us, 2119.

Meeting adjourned. 50:38

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2119
4/11/2017
JOB # 30033

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Conference Committee hearing for Selling of Job Service Property

Minutes:

No testimony submitted

Chairman Krebsbach: called the Conference Committee to order at 8:00 am in the Harvest Room in reference to SB 2119. Roll call was taken. All conferees were present: **Chairman Krebsbach, Senator Oehlke Senator Mathern; Representatives: Roscoe Streyle, Bob Martinson, Tracy Boe.** Becky J. Keller, OMB; Levi Kinnischtzke, Legislative Council were also present.

Chairman Krebsbach: We would like you to tell us what you did to our bill.

Rep. Streyle: (He is using the marked up SB 2119) Section 1: included a study of the three properties, Minot, Bismarck and Rolla. We hope that the Minot office, line 13 that the attorney general would like more space for BCI in Minot. The Highway Patrol would get double the space. It will still allow them to occupy a portion of the building, but it would say to work together with OMB and come up with lease terms. You see there is a reporting requirement in a year from now. Section 2: expresses ways to lease the Rolla building to the county of Rolette for \$1.00. Section 3: gets into line 7 and 8, gives Rolla a market price for this should they follow all the federal laws. Rolette will have the first right of refusal to buy the property. If they do not exercise it, they will have to pay 90% of the appraisal price. That building should be utilized. Section 4: gets into the Bismarck building beginning May 1st. That's pretty aggressive. We might discuss moving that date. For OMB and Job Service to look at the building and see if there is a more efficient and cost effective use for the building by that date would probably not work. The AG has multiple buildings across town from \$14 to \$17 per square foot. We felt putting all of them under one roof made a lot of sense and save money. Job service, OMB and AG need to figure it out. Should they move a portion of it? Job Service needs to occupy a portion of the building. We just don't know what that number is. Is it one floor, 2 floors, 50% of the building for federal law. They can't lease this out to make money. We talked about the AG having three floors and they would keep the first floor. Then we added \$100,000 for renovations and moving expenses to move the portion of the staff that wouldn't fit in the first floor over to the other office. It has plenty of space. Section 5, we left the emergency clause on as it came from the Senate. It's pretty aggressive. Job Service is

not necessarily happy about this. We understand that. It does not say they have to do it. But if it is determined that it won't work, they have an out. We worked a lot on this bill. It's time to move on these properties. We don't have an appraisal on them until middle of the next biennium. We thought we should lease some until then.

Chairman Krebsbach: You mentioned \$100,000. Can you show me where that is in the bill?

Rep. Streyle: It is in the budget bill for Job Service. Also in the budget we included \$750,000 of special fund authority. It's in the budget where we thought it should be.

Chairman Krebsbach: You have \$750,000 for expenses for what?

Rep. Streyle: If the AG pays down, then we can expend down rental income to pay utilities, etc. They would not have that authority if we did not put that in the budget. It is probably higher then rent would collect, but we thought putting a higher number on it would be ok. There is 12,000 square feet. available in Minot. If they lease the three floors in Bismarck, it would be 33,000 square feet. You add those together. **(0.08.44)**

Senator Oehlke: In Section 5, who determines feasibility? Who says yes or no?

Rep. Streyle: The OMB was the intent there. That is based on their cost analysis.

Rep. Boe: You look at Section 4, it says they'll do the study and report back to the budget section. Ultimately, it would fall back on the budget section to determine.

Chairman Krebsbach: I am wondering about the need to study. Seems to me Job Service came to us with a clear plan. Do you need to study this further?

Rep. Boe: It's not that clear of a plan. They asked for sale authority They have sale authority on property in Fargo. Yet, they choose not to sell and are sitting on it. They have no intention of selling it and they pick and choose what they want to sell without regard to the state of ND or legislature. We should be consulted and we should be able to participate in this available space. I don't think it was that clear of a plan. You probably did not hear about the property in Fargo and their ability to sell that today. **(0.11.17)**

Chairman Krebsbach: I don't recall. We will need to ask them why they have the property in Fargo and why they are holding on to it.

Senator Mathern: In the House, where is it that we address the condition that all of this activity be subject to federal and state law.

Rep. Streyle: On page 1, line 11. I am looking at the marked up version of the bill.

Senator Mathern: I am wondering why we wouldn't have a section like that apply to the whole bill. It lists specific properties there. Why wouldn't it be applicable to all properties that they have? Do you want it applicable to some properties?

Rep. Streyle: Those were the properties discussed in the bill so we did not expand. There is a study in the Fargo operation, too. I don't care if there needs to be a section saying please review state and federal for all of these. We still don't know, and I don't think they know how much they can lease without triggering federal issues. How much do we have to occupy? They are leasing a portion of a building in Minot. They, the AG, are leasing the fourth floor in Bismarck. We know they can lease. This just gives them a little push and says let's get this deal done. Especially in Bismarck. Minot could get together right now and do a lease. It may be a little aggressive. We need to save money. Why would we not do that? **(0.14.44)**

Chairman Krebsbach: Are there further questions?

Senator Oehlke: In Section 2, when we talk about leasing the property in Rolla to Rolette County for \$1.00, should that also say \$1.00 plus all maintenance and operating expenses?

Rep. Streyle: I completely agree with you as far as utilities. We thought putting all the terms in here would be too cumbersome. That is definitely the intent. There are no expenses from this building going forward. Rolette County could have some risk. They may lease and then decide they cannot buy after trying to improve. We just wanted to give them the option of getting in the building quicker. Let OMB help if they need to with Job Service, and come up with a good lease.

Senator Mathern: Do we have a willing buyer here? Are they part of this discussion? Is Rolette County part of the discussion?

Rep. Boe: Yes, Rolette County is interested in buying. Part of the lease part is that being what we do is public record. You end up with county appropriating the money to buy it, and someone reads this in newspaper. They come and bid \$1.00 more. We want to avoid that. That is part of the \$1.00 thing. I give them a place holder on it and get the right of first refusal.

Senator Mathern: Would Rolla County keep it? Or sell it?

Rep. Boe: They would keep it and use it for County Health Services. **(0.18.23)**

Chairman Krebsbach: I see nothing wrong with trying to maintain a building within the community. Maintain thing we have to look at is that all compliance to federal is met.

Rep. Boe: I believe the title does not say it is federal property. It is state, but the funds are federal.

Chairman Krebsbach: The funds are federal so it ends up in their jurisdiction.

Rep. Streyle: That is what we don't know. We don't know what they will say. They may say put money back into the fund, but how much. Do the feds get credit for what the state puts in? We don't have the answers, hence the reasons for the study.

Chairman Krebsbach: We will pursue some of that as well. Further questions? The bill got a little more complicated when it left here. We will recess the Conference Committee hearing on SB 2119 at this time and meet again.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2119
4/12/2017
JOB # 30098

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Shirley Delger *by Mary Waken*

Explanation or reason for introduction of bill/resolution:

A Conference Committee for the sale of Job Service Property

Minutes:

No Testimony Submitted

Chairman Krebsbach: called the Conference Committee to order at 8:00 am in the Harvest Room in reference to SB 2119. Let the record show that all conferees are present: **Chairman Krebsbach, Senator Oehlke Senator Mathern; Representatives: Roscoe Streyle, Bob Martinson, Tracy Boe.** Becky J. Keller, OMB; Levi Kinnischtzke, Legislative Council are also present.

Chairman Krebsbach: I know we spoke the other day about adding some wordage to the line 22 on page 1 and that is after the \$1.00, adding the words plus all operations and maintenance expenses. Do you have any other questions at this time on this bill? The House replied they were fine with that.

Senator Mathern: It seems unclear to me yet whether we meet federal law requirements that we lease it for \$1.00. I wonder if the House got a determination on that. Take for example the section 2 property, the addition of the utilities and such as maintenance.

Rep. Streyle: By putting this in here, there cost is zero. So they can lease, for their cost only. So a \$1.00 you know, that I would assume that they have zero expense in this building would fit the terms of the federal regulations.

Senator Mathern: I just wonder if we should just add 'that' there to maybe get closer? That really wouldn't happen unless it meets those federal regulations. I hate to see them in a position where we tell them to lease it and the federal government says you can't lease it. Then what would they do?

Chairman Krebsbach: Is there any protective language in there, I am trying to recall?

Rep. Streyle: In section 1, section 10 and 11, it studies this too. The study must include the termination of law by sales price of each property, if federal and state law, so the federal portion is covered. Can they lease the entire amount? If they had a computer up there and

went up there never, that, would suffice as far as they are still occupying it, but leasing it to Rolette County. The intent being here is to push this along, and then sell it to Rolette County. But yet we can't as there has to be an appraisal done is what I am saying. But that will take a while, so let's get them in their lease and then sell it to them or actually it probably would be good if you think about it and if you're in that building, leasing it, you probably going to buy it if it comes up. So this section, I think will actually help them sell the building because if they are going to move in there and lease it, they are not going to want to move out again. So they are just going to buy it for whatever the going percent of the appraisal price. Rolette County might say no; we're not going to take that risk. We don't want to do it, or wait until the appraisal comes and then we will consider buying it at the sale price. This may never happen. Rolette County may say no and wait until the appraisal is done. This just gives them the option to move it along a little quicker than they otherwise would. I think this is a huge benefit to Job Service because if they only lease it, they are going to buy the property. They are not going to move all of their people out, is the way I look at it.

Senator Mathern: Section 1 is a study of the issue. Section 2 is a directive to do something. If we do keep Section 2 we should keep the contingency that apply to Section 2, like the rent issue, like as per permitted by federal law and something like that.

Chairman Krebsbach: That complies with the federal guidelines or whatever.

Rep Streyle: I would be ok with that. This may not happen. We're both taking a risk doing this, leasing it, because what if it is not what they think it is going to be and when they decided not to buy it, now we've got to move all of our people out. I do think it is an incentive for Rolette County, a benefit through Job Service because once you get them in there you're going to get them in the end on the sales price. Albeit we put in 90% of appraisal is in federal law. On page 2, in the green there, first right of refusal at 90% of it, the appraised value. That definitely is federal.

Senator Mathern: Wouldn't it be wonderful if we could fill it up with economic development people. So that we could actually help people in that region with some job training and 20/20 and the whole works.

Chairman Krebsbach: Is there anything further on 2119?

Rep Streyle: Section 4, we realized after we kicked this out, that May 1st is extremely aggressive for obvious reasons as its almost May 1st. So that would need to be looked at as far as. Although it does say beginning that date, they will start looking at it, so I don't know that it is detrimental but we definitely want to and the intent is like I said, if they look at it right away. Of course it's got the emergency clause on it so, it depends on when we get out of here they could start looking at it immediately. That is assuming we're not here at 95 days or whatever, but, then in Line 13, the most efficient use, then you could put, 'and cost effective use' whatever to, just to try and cover every gambit there, but if you think it works it well I could move that forward a little bit. The intent was to get on this right away. Facilities management as well. That might be something to consider.

Chairman Krebsbach: If we need the words 'beginning May 1, 2017, at all, just go with the Office of Management and Budget shall determine.

Rep. Streyle: We may not need that based on the emergency clause. It would be a law immediately, then they could start looking at it that afternoon.

Chairman Krebsbach: Do we have further things that we want to review at this time?

Senator Oehlke: I would like to remind everyone that we've got Job Service has had the Fargo property. The ability to sell that property for a long, long time in Fargo, so it's possible, but even though we give them the authority it doesn't mean they have to do that. But it depends on their business cycle and all that sort of thing and their management.

Chairman Krebsbach: I did get some information. The answer, was the authorization to sell was done way before the year of 2000, and that was done when it looked like Job Service was really growing, and that they needed more space. However, when federal funds decreased, that changed. Selling the building was no longer cost effective, for them. They feel they are currently at the right size so they are going to stay where they are at. I am getting quite concerned about all the transactions within this and I am wondering, how difficult it would be to get a cost analysis budget on doing all of these transfers with the potential of the income that they would be having, the expenses they would be seeing, and so we have a good guideline as to where we are going. Levi can you help us with that?

Levi Kinnischtzke, Legislative Council I believe unless I am misinterpreting your statement, I believe that would be the intent of this study in Section 1. It would be to establish what the feasibility of selling these properties would be. That would kind of be the chain of command after that study, to see if those properties could be sold or leased.

Rep. Streyle: Section 1, look at the sale piece, and Section 5, we think about funding it the next session. We don't have the money to do it, which would save a lot of money in leases for the Attorney General. Section 4 would be the lease portion of it. If you read it, it says it shall determine the most efficient use. OMB could say no, it's not efficient at all. I think it would be more feasible for them to be in one building.

Chairman Krebsbach: I don't think Job Service is ready to vacate the Bismarck one. They have a large computer main frame.

Senator Mathern: Let's do this feasible study in these next few days. Is it possible to ask facility management to actually bring some suggested numbers to this committee? They have all the rents, they have all of the square footage, they have all of the needs, it just an idea if you're looking for data, that might be the place.

Chairman Krebsbach: I think that is a very good suggestion and we could probably have a little more at hand with something specific to deal with at this time.

Rep. Streyle: The intent would be, and we discussed it ad nauseam in our committee, but there are 4 floors. Each of them are 11,000 square feet, so it is 44,000 square feet. The Attorney Generals occupying the 4th floor right now. The intent would be, of course this is determined by OMB, it isn't determined by us whether they find it. The Attorney General to occupy floor 3 and 2, keep floor 1 for Job Service. Keep all their servers, 11,000 square ft. is a lot of space. And keep 30 to 40 people or however many they want there. That is what the

\$100,000 in the budget was for, to promote movement and doing renovations if they want to do that there. They also say there is not enough parking there. OMB, Job Service and Attorney General have to get together.

Cheri Giesen, Director of Job Service: If we try to do this in 3 or 4 days. I agree with Rep. Streyle, as a turn of events. The Attorney General would rather rent someplace else. I learned this 24 hours ago. That is what the intent of this original bill is, I brought this to make sure that you guys knew we would be studying this. We didn't do a cost benefit and to do an appraisal on our building would probably cost us \$50,000. We don't want to start something like that without the legislators knowing what our intent is. We want to study that and do it right. My costs per square feet, I need to make sure that I am not expending more. That is what the basis is. The other thing that we can do there is the computer system, we go ahead for a \$11M project. They talk about being co-located together, it is essential for a \$11M dollar project. Most of these projects around the nation have failed. There is not very many success. Keeping all of us in the same building is a big deal. Our staff costs are much higher than our building costs to be effective. So there has got to be a look at staff as well as when we look into this computer program project as well in the interim with a \$11M dollar project and have it follow up. We have to separate. If we have to vacate we cannot fit into our local office, we would be in three spots. Again, if you are sure this is a moving target I would rather take the time and actually do a final study. Rep. Streyle had mentioned that we don't know the costs. What happened is we lease right now, we have the square footage cost and rented for 200 square feet for us. We did an audit and it included all of costs up and beyond anything that was capitalized. When you start renting out 5,000 square foot, a 1/3 of our building, or 2/3 of our building in Minot, this is actually space we would take and expand and capitalize, and we haven't done it. I admit we haven't been in the real estate business of trying to lease before and other than the 200 square foot office to somebody in a different square foot. So we did accrue some of those costs. We have been working on them and we do have them for every office now. We still would have to have be audited on that, so we still want to run that by the USDA, we want to run it by facility management, but we want to make sure that we can't charge over and we can't do that, but it is different from what we've been charging our core partners in a 200 square foot office. That is why we didn't have their square footage. But we are now working on that and pulling boxes with receipts to understand our expenditures and expenses on those buildings. We are going through receipts to figure out what is our cost of ownership so we can divide that by our quote. We are working on it as fast as we can.

Chairman Krebsbach: I don't think we would make a sudden move in those 3 days. Are we even going in the right direction? I think facilities management like you said, could give us some assistance on that, just to get an idea, just an overview of it, because we are dealing in the dark.

Senator Mathern: That is my intent. Part of this is some requirements of sale. It's really and I think that's why, there is a move for information. If this was literally just them telling us about all the options and they want to do a study, hey, I would say let's pass it. But part of this bill includes requirements that are saying do it now.

Rep. Streyle: Job Service shall study, Section 1; Section 2 they are spending \$10,000 dollars a year just to keep it long enough so it doesn't wreck the building they are not even in the

building. So, I don't see why that part is even an issue at all. Section 4, OMB shall determine the most efficient use, so that's all we're doing in this bill is a study. I don't get the argument.

Sen. Mathern: Is Section 2 a directive?

Rep. Streyle: Yes, it sure is. But it is to a building that they aren't even occupying. There isn't anybody in there.

Chairman Krebsbach: I understand what you're saying, in regard to Job Service. However, there is more involved. We are talking about moving Highway Patrol, we are talking about moving Attorney General, all of these things should be put together in some type of a semblance, so we know what we are dealing with. That is where I am coming from.

Ms. Giesen: I think Senator Mathern is talking back on SB 2016 with the requirement that we sell our most valuable and recent most valuable. That is the requirement to do.

Rep. Streyle: If Section 2, needs to read Job Service may lease to Rolette County, whatever. In the end Job Service should want them to lease it, because then it is an automatic sell. Who else is going to buy that building in Rolla? Really? Why would we not want to give it to the county which is going to put I believe the Social Services division in there. It's a good cause. It's a reasonable request.

Senator Oehlke: I did, if I look at the last change, changing "shall" to "may" on line 18 of the first page and then adding the maintenance and operating expense on line 22 and drawing a line, on page 2, line 22, beginning May 1, 2017, draw the line through it. If those changes were made on this, I don't see a problem on this bill. It's a study and an effort to get things rolling.

Rep. Streyle: Minus the "shall", we are giving Rolette County the option, the first Right of Refusal which I think we should. I think it is the right thing to do.

Senator Oehlke: Part of their study would check into the issue of the federal requirements and what they know and can't do as well.

Chairman Krebsbach: We have reviewed this pretty well. Levi will prepare those changes that we are talking about on this bill. We are recessed for now.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2119
4/17/2017
JOB # 30164

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Jonabellamy for Steve Dehner

Explanation or reason for introduction of bill/resolution:

A Conference Committee hearing for the Sale of Property (Job Service of ND)

Minutes:

No testimony submitted

Chairman Krebsbach: called the Conference Committee to order at 11:30 am in the Harvest Room in reference to SB 2119. Let the record show that all conferees are present: **Chairman Krebsbach, Senator Oehlke Senator Mathern; Representatives: Roscoe Streyle, Bob Martinson, Tracy Boe.** Becky J. Keller, OMB; Levi Kinnischtzke, Legislative Council are also present.

Representative Streyle: I think we are close. The changes that were proposed would be Section 2, may lease, instead of shall lease and include operations and maintenance. So that it's clearer that if they lease it, they aren't responsible for anything. The lease would be responsible. We're fine with that. In Section 4, removing the date and just say "the OMB shall determine the most efficient and cost effective use of the Job Service building. That would force them to do a cost benefit analysis. With those changes we would be willing to move this bill.

(0:01:15) Senator Oehlke: On page 3, line 7, where we talk about "is determined feasible", who determines feasibility on deals like this? Does it come back to Budget Section, or does OMB determine it, or Facilities Management, or do we need to get particular about that?

Levi Kinnischtzke, Legislative Council: I believe it would be OMB, as they are going to be the ones doing the study.

Senator Oehlke: We believe its OMB or we know it's OMB?

(0:02:35) Levi Kinnischtzke: That would be my interpretation of it. It's not specifically spelled out, section 1 of the bill does describe the study and it says it shall study the feasibility and desirability of selling the properties, so that kind of sets the precedents.

Representative Streyle: I would agree the OMB shall determine the most efficient and cost effective, they would be the ones making the decision with talking to Job Service and the AG, if they could use those would be my take of how it reads.

(0:03:38) Chairman Krebsbach: We can check that out so we know specifically where this authority would lie. As far as the other areas, I am in agreement with the changing of the wording.

Senator Mathern: I wonder if in that part, if we should permit, we are adding efficiency and effectiveness and all that, I am wondering if we really need them to come back to the 66th legislative session. What if they can be effective and efficient before we meet again. It's always in state agency purview or subdivision. I am wondering if we really need that in section 5, if it's going to slow the system down?

Chairman Krebsbach: I am looking at probably the same situation; I think if they find out ways to do this. I don't want to see us be held up for something we're going wrong.

(0:05:17) Representative Streyle: The lease part, they can do without our approval. Section 5 is saying if it's determined that it's a good idea for the state to buy these properties, that should be brought up next session. I would just as soon as we sell them to the state right now, but I don't know where we would get the money. This is saying study, lease if it's determined to be effective and cost efficient. And present us a plan next biennium to buy the building and do what they really want to do. I think we need that; they are not going to be able to buy it themselves before anyways. At least to the state agencies, especially the Bismarck one, we want to buy that. The Minot one is a horse apiece, maybe we do, maybe we don't. I know the attorney general and BCI would like more space. The Highway Patrol may or may not want to go in there at 3,000 square feet. It would be nice to have them in the same building. There are two bypasses east and west just north of the building, there's a lot of HP's activity in the winter is up in the northern part. Their current building isn't in a bad location, just kind of an issue. If OMB says none of this works, it's null and void.

(0:07:14) Chairman Krebsbach: Basically, they have the authority to lease, what they are seeking is the authority to sell. So if they have the authority to lease, and we just gave them the authority to sell, would that not cover what we are trying to do?

Representative Streyle: No, because we don't have the funds to buy it.

Chairman Krebsbach: But they wouldn't have to sell it immediately, but could lease it for a period of time.

Representative Streyle: Which is what section 4 is saying. Study it and determine if it's in the best interest of the state to do this. I think we will see millions of dollars of savings should they relocate portions and put BCI in there. That's for OMB to determine, not us. It's absolutely in the best interest of the state.

(0:08:29) Chairman Krebsbach: We come back to the same situation, the cost.

Senator Mathern: I can imagine there is these discussions going on. Would you mind if we ask the Director of OMB or Director of Facilities Management to see if they want the authority to make decisions before the next session or just as soon wait. I don't mind waiting if they want us to wait, but I would hate to see us bogged down systems of management of properties and staff if they could do it before the next session.

Representative Streyle: We are not slowing them down, this is a kick in the butt. This is a shall study is a kick. The sale piece of it, they'll be able to sell well I think. The other two, I think we should buy it as a state. The building here, but I would want the first right of refusal from the state prospective. They could go out and sell it to whoever they want, but there's no way the state is going to be able to buy it for \$3M this biennium. If we can lease a portion of it, with the intent that we find the available money next time, we buy it. In my mind we cannot let this building be sold to anyone other than the state of North Dakota. Especially in Bismarck. Wait again for the next biennium to decide on Minot.

Senator Mathern: One of the related issues, was in accordance to federal law, line 11, at one point, we talked about adding that in all of the sections. I am wondering if that is still on the table so we don't put the department in a spot where we tell them to do something, but then they come to some limitation in terms of federal law. That was one other issue and just wondering if that's on the table yet. I presume that is what the House presumed, but only put it in section 1, none of the others.

Chairman Krebsbach: In my estimation they would have to comply with state and federal laws in any and all properties that they would sell and fair market value would have to apply to all.

(0:12:04) Representative Streyle: What you're referring to is the lease portion? Whether that would comply with state and federal law, is that what you're saying? They don't know that answer to that for some reason, they're incapable of figuring out if it's 10%, 20% or 50%. I can't believe that's a one phone call answer. If you want to put something in there, they are going to have to check anyway, put in there "review federal law based on"

Chairman Krebsbach: Is there anything further we can go with on this bill. Or have we explored thoroughly today what we need to do?

Representative Streyle: I can summarize it quickly so that we can get it out of here today or tomorrow. That would be changing it to "may lease", and include operations and maintenance. Section 4 remove the date, beginning with May 1st, and add efficient and cost effective. Put a statement in about reviewing state and federal law. I think this would be a good bill.

Chairman Krebsbach: It's just some new things have come to light and I need personally a little more time to make sure we are doing the right thing.

(0:13:49) Senator Mathern: I think it would be great if we had the amendments prepared that we could look at, if the House would prepare those.

Senator Oehlke: Section 3 does have the state and federal law in it already on page 2, end of line 10 and 11.

Chairman Krebsbach: I think they are referring to the Rolla property.

(0:14:32) Senator Mathern: I think it should be consistent, because it implies something different if we have it in one section and not in another.

Representative Streyle: I think it would be a fine addition to this. OMB would have to look into that anyways, so why don't we put it in there and it will be consistent with all sections, and we can certainly prepare an amendment.

Representative Martinson: I would agree with Senator Mathern, I think it would be a great idea if **Representative Streyle** would meet with Levi and draft the amendments and we'd have an opportunity to take a look at them. I would suggest if anyone has any other amendments, they get together with Levi too so that we can start moving on this.

Chairman Krebsbach: I think that would be a great idea.

Senator Oehlke: I didn't think about it until Representative Boe mentioned about if they sell the property before the effective date, then no big deal. So my question regarding the previous bill, had the effective date of July 1st, but this one has an emergency clause, would that be a problem, or should they both be July 1st?

Representative Streyle: We could think about that and see if there are any conflicts there.

Senator Mathern: I would note to Senator Oehlke's comment, if this really is a positive thing for Job Service, Rolette County, and OMB, it would be nice if there was some ability to move before July 1st. I don't know what the local circumstances are. The emergency clause probably gives ability to begin negotiating as soon as possible.

Chairman Krebsbach: We will recess once more.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2119
4/18/2017
JOB # 30216

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Conference Committee hearing for the sale of property (Job Service of ND)

Minutes:

1. Proposed Amendment # 17. 8076.02010

Chairman Krebsbach: called the Conference Committee back to order on SB 2119 at 6:00 pm in the Harvest Room. Let the record show that all conferees are present: **Chairman Krebsbach, Senator Oehlke Senator Mathern; Representatives: Roscoe Streyle, Bob Martinson, Tracy Boe.** Becky J. Keller, OMB and Levi Kinnischtzke, Legislative Council are also present.

V. Chairman Krebsbach: We had passed out an amendment for this. See Attachment # 1 17.8096.02010. Do you have any comments if you have had the chance to look over the amendment?

Representative Streyle: I think it has everything we talked about. It has the federal law, it has the May lease, state and federal law in all the different sections, move the date.

Representative Streyle: I would move the Amendment # 17.8096.02010. 2nd Senator Oehlke.

Chairman Krebsbach: We have a motion to adopt the Amendment by Representative Streyle, a second by Senator Oehlke. Is there any further discussion on the Amendment? I am going to ask Cheri if you had a chance to look at it. (her reply was yes.)

Senator Mathern: Just a clarification, is the Amendment # 17.8076.02010.

Chairman Krebsbach: Yes, it is .02010. That is the version we are looking at.

Senator Mathern: Correct.

Chairman Krebsbach: And that's the one we have a motion and a second on. Are you still reviewing it in the back of the room? Or is that the front of the room, I am not sure. (Cheri replied that it's OK.) Alright we have the motion if there is no further discussion on the motion

to adopt the Amendment would you please call, excuse me, Madam Secretary, would you please note that all conferees are in attendance. Now, we will ask you to call roll on the adoption of that amendment.

A Roll Call vote was taken. Yea: 6; Nay: 0; Absent: 0. The motion carried.

Senator Mathern:	Yea	Representative Streyle:	Yea
Senator Oehlke:	Yea	Representative Martinson:	Yea
Chairman Krebsbach:	Yea	Representative Boe:	Yea

Chairman Krebsbach: Committee, I believe that would conclude our work on SB 2119. Unless there is further discussion or question on the process of it, the motion would read that the House recede from it's amendments and further amend, I believe. (it was asked if we needed to vote on that again.) When we adopt the amendment that becomes the Conference Committee report. So, that one can be put to bed. The hearing was closed on SB 2119.