

## **STUDY OF OFFICE SPACE COST AND VALUE OF PROPERTIES OWNED BY JOB SERVICE NORTH DAKOTA - BACKGROUND MEMORANDUM**

### **STUDY RESPONSIBILITIES**

Section 9 of 2017 Senate Bill No. 2016 (appendix) provides for a study of office space cost and value of properties owned by Job Service North Dakota in Fargo, Rolla, Minot, and Bismarck with input from the Office of Management and Budget. Senate Bill No. 2016 provides that if Job Service North Dakota sells or leases any of the properties before July 1, 2017, the property may not be included in the study. The House Appropriations Committee added Section 9 to the bill to provide for the study. Members of the committee commented that it may be possible for Job Service North Dakota to vacate certain space or properties and to sell or lease excess space, including the sale or lease of space to other state agencies. The responsibility for this study was assigned to the interim Government Administration Committee by the Legislative Management.

### **PREVIOUS LEGISLATIVE STUDIES**

#### **2003-04 Interim**

The 2003-04 interim Commerce Committee studied the state's unemployment system, including reserve guidelines for the unemployment trust fund, the system for rate setting, treatment of positive and negative balance employers, and the feasibility and desirability of creating an unemployment compensation board. The committee learned that although state law required Job Service North Dakota to appoint an advisory council, the advisory council was ineffective because the last two Governors had designated the Workforce Development Council as the Job Service Advisory Council. The committee learned that the Workforce Development Council had not engaged in any discussion addressing policies and problems related to unemployment compensation.

The 2003-04 interim Commerce Committee recommended 2005 House Bill No. 1028, which established a seven-member Job Service North Dakota Advisory Council, appointed by the Governor, for the purpose of advising Job Service North Dakota regarding issues relating to the operations, effectiveness, fairness, and efficiency of the unemployment insurance program. As approved by the 2005 Legislative Assembly, House Bill No. 1028 established an eight-member Job Service North Dakota Advisory Council, appointed by the Governor. The eight members included five employer representatives, two employee representatives, and one at-large member.

#### **2013-14 Interim**

The 2013-14 interim Government Services Committee studied facility needs of state agencies located in the Bismarck area, including an evaluation of current and projected facility needs of state agencies, facilities on the Capitol grounds currently being used by state agencies, and facilities owned or leased by state agencies that are not located on the Capitol grounds. The committee learned Job Service North Dakota owns two office locations in Bismarck, including the 40,000 square foot central office and a 17,470 square foot regional office. The committee learned Job Service North Dakota had 146 employees located in the central office and 20 employees in the regional office in Bismarck. The committee recommended an updated master plan be developed for all state agencies with a physical location in the Bismarck area; however, this bill was not approved by the 2015 Legislative Assembly.

### **BACKGROUND INFORMATION**

In 1921 the State Free Employment Service was established. The Commissioner of Agriculture and Labor was the executive officer of the State Free Employment Service. The commissioner appointed agents to handle the movement of labor of all classes. Agents received applications from potential employees and employers and registered them.

In 1935 a Labor Division was created within the Department of Agriculture and Labor under a labor deputy. The department was designated as the agency for the promotion of a national employment system. The federal Social Security Act of 1935 included provisions for the creation of a program for the payment of benefits to unemployed individuals. Under the federal law, payments are made to states with approved unemployment compensation laws under which the state administers an unemployment compensation program through public employment offices. The state program administration must conform with rules established by the federal government.

In 1937 the State Free Employment Service was transferred to the Workers Compensation Bureau and the state Employment Service was established as a division of the Workers Compensation Bureau. The bureau appointed appropriate officers for the Employment Service. The Employment Service was also designated as the agency to fulfill the purpose of the Act of Congress that was to provide for the establishment of a national employment system. Also, in 1937 an unemployment compensation fund was created from contributions by employers for the payment of compensation for involuntary unemployment and an Unemployment Compensation Division was created in the

Workers Compensation Bureau. The state of North Dakota has provided unemployment insurance to its residents since 1937 through the state and federal partnership.

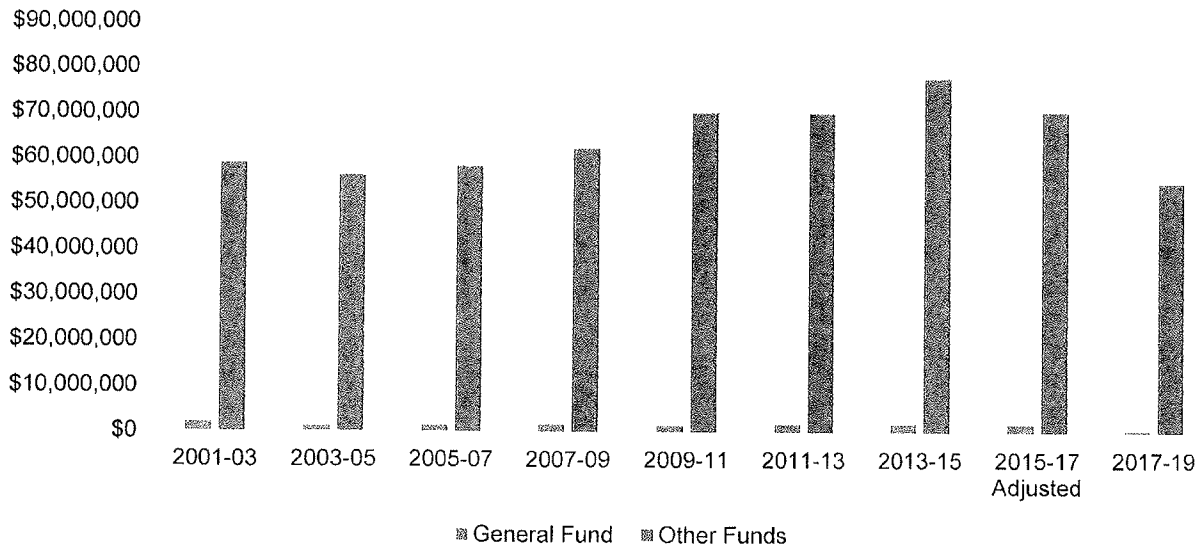
In 1945 the Unemployment Compensation Division in the Workers Compensation Bureau was required to be assigned its own director and be separated from the other bureau divisions. In 1965 the North Dakota Unemployment Compensation Division and the North Dakota State Employment Service Division were transferred out of the Workers Compensation Bureau into the newly created Employment Security Bureau. The Unemployment Compensation Division and the State Employment Service Division were each to have its own director and be a separate administrative body. The Unemployment Compensation Bureau was to administer the old-age and survivors insurance system. The State Employment Service Division was to maintain free public employment offices as needed.

In 1979 Job Service North Dakota was created and was charged with administering the provisions of the North Dakota Unemployment Compensation law and the North Dakota State Employment Service. The legislative history of the 1979 bill indicates the bill was proposed largely to change the name of the North Dakota Employment Security Bureau to the name Job Service North Dakota to keep the name of the agency uniform with the names of similar agencies in other states as suggested by the United States Department of Labor. It was explained that by creating Job Service North Dakota as the entire agency, the executive director would have the power to establish divisions within Job Service North Dakota as necessary. The Employment Service and Unemployment Compensation divisions had expanded their services to include services that would not be readily identified as employment services or unemployment compensation services. Therefore, it was necessary that the executive director of an agency be given the power to establish new divisions to cover the additional services being performed. Because of the need to expand the scope of the employment agencies and the need to have a title for agencies that would be uniformly recognized, the agency known as Job Service North Dakota was created.

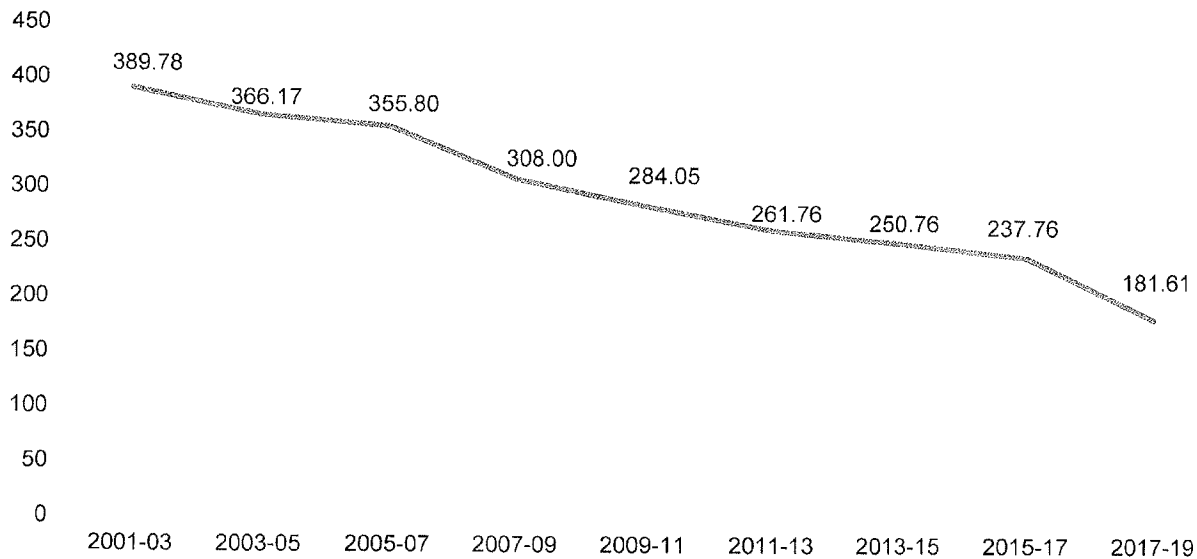
North Dakota Century Code Section 52-02-01 provides that Job Service North Dakota is responsible for administering the unemployment program in this state. That section also provides that Job Service North Dakota must be administered by an executive director appointed by the Governor. Section 52-02-07 requires the Governor to appoint a Job Service North Dakota Advisory Council. The purpose of the council is to advise Job Service North Dakota regarding issues relating to the operations, effectiveness, fairness, and efficiency of the unemployment insurance program.

Since the 2001-03 biennium, federal funding for Job Service North Dakota operations has remained generally unchanged. Temporary increases in federal funds have related to the federal American Recovery and Reinvestment Act of 2009, Reed Act distributions for unemployment insurance system modernization, and United States Department of Labor grant funding for the WyCAN (Wyoming, Colorado, Arizona, and North Dakota) consortium to develop a new unemployment insurance system. To address the funding issues, Job Service North Dakota has implemented a number of technology and business changes and reduced staffing by 208.17 full-time equivalent (FTE) positions since the 2001-03 biennium.

### Job Service North Dakota Appropriations




### Job Service North Dakota FTE Positions



In January 2016 Job Service North Dakota announced the closing of seven offices, including the Job Service North Dakota locations in Beulah, Grafton, Harvey, New Town, Oakes, Rolla, and Valley City. Job Service North Dakota now has nine regional offices located in Bismarck, Devils Lake, Dickinson, Fargo, Grand Forks, Jamestown, Minot, Wahpeton, and Williston. The 2009 Legislative Assembly approved House Bill No. 1118 to allow Job Service North Dakota to sell its properties in Fargo and Grafton; however, Job Service North Dakota did not exercise this authority prior to July 1, 2017. Section 21 of House Bill No. 1012, as approved by the 2017 Legislative Assembly, provides legislative intent that the Department of Human Services purchase the Job Service North Dakota building in Grafton for use at the Life Skills and Transition Center.

### STUDY PLAN

The following is a proposed study plan for the committee's consideration in its study of office space cost and value of properties owned by Job Service North Dakota in Fargo, Rolla, Minot, and Bismarck:

1. Receive information from Job Service North Dakota regarding office space and properties owned by Job Service North Dakota in Fargo, Rolla, Minot, and Bismarck, including the operating cost, estimated market value, number of employees, and number of clients served at each location.
2. Receive information from the Office of Management and Budget regarding state-owned office space and leased office space in Bismarck, Fargo, and Minot.
3. Receive information from the Office of Management and Budget regarding the short- and long-term plan for meeting state agency office space needs in the Bismarck, Fargo, and Minot areas.
4. Receive information from Job Service North Dakota regarding the potential to colocate the Bismarck central office and the Bismarck regional office in one location.
5. Receive information from the Office of Management and Budget regarding office space cost and value of properties owned by Job Service North Dakota in Fargo, Rolla, Minot, and Bismarck, including the potential to sell or lease the properties.
-  6. Receive information from other state agencies, including the Attorney General's office, regarding space needs and the potential to lease or purchase space owned by Job Service North Dakota.
7. Receive testimony from interested persons regarding the study.
8. Develop recommendations and any bill drafts necessary to implement the recommendations.
9. Prepare a final report for submission to the Legislative Management.

ATTACH:1