

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2297

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2297

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2297

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date February 1, 2001

Tape Number	Side A	Side B	Meter #
1		X	6.0-41.1
Febraury 2, 2001 2	X		5.2-17.0
Committee Clerk Signature <i>Jan A. Rink</i>			

Minutes: Chairman Krebsbach called the committee back to order and opened the hearing on SB 2297 which relates to state officer and employee lodging reimbursement. Bill Shalhoob, lobbyist for the ND Hospitality Association appeared before the committee. He indicated that SB 2297 is a bill that has been submitted several times. It has been acted on by the Government and Veteran's Affairs committee in the last two sessions. What this bill does is it amends the actual lodging expenses or reimbursement for lodging expenses for a state employee from \$42.00 to \$47.00 plus taxes. Tom Biegler, representing Regency Hotel Managements, presently manager of the Radison here in Bismarck appeared before the committee. We have fought for a very long time. We are seeing the same decreases in labor force that everybody else is seeing. When you are dealing with employees who are at the bottom end of the pay scale and generally that's what we are dealing with, it's difficult enough to find enough people to fill positions. At one point during the summer last year we were scrambling just to get enough maids to clean rooms. If we can't see some sort of an increase in state rates it will be difficult for them to even accept state

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rates. It's very difficult with an \$18 million property trying to compete against those people who are making payments on million dollar properties. It kind of leaves us competing in a no win situation. The average rate in Bismarck right now is \$49.00. We are asking for \$47.00 state rate. The federal rate is currently \$55.00. State employees who are traveling outside the state have absolutely no per diem. They are able to pay whatever the market bears. We are asking simply for a \$5.00 increase. We come to these committees every single session and try to get these up to an acceptable level. Quite frankly there are places that can not even accept state rates. Fargo's rates are so high it is difficult for him to even accept state rates. He has a difficult time at the Radison when he is dealing with bidding conventions and trying to compromise with conventioners trying to come up with an acceptable rate. He couldn't tell the committee how many times a year he answers phone calls from the accounting division of some state organization that says well you know how come you charged us \$48.00. He indicates our state rate at the Radison is \$45.00 plus tax. The reimbursable state rate is \$45.00. It's difficult, we don't accept that rate. The only time we accept that rate is if we negotiate that prior to an event. We do not accept the \$42.00 rate. I would like to think your people traveling in the state of ND and when they are in Bismarck are able to not have to worry about a snowstorm and being able to get something to by and staying at the Radison. Some of these places have a very difficult time. It's tough for us to make ends meet at \$45.00 including tax. Our labor costs are up roughly 20 to 25% in the last biennium. It's not going away. My energy costs in the month of December alone increased 230% over a year ago. Without an increase he simply can't accept the rates. He would love to be competitive in this particular segment, but it is very difficult to do when his corporate rate is somewhere in the neighborhood of \$79.00. We get no resistance from the corporate sector at \$79.00. We are not asking for a huge increase, all we need is something

that will allow us to be competitive. Quite frankly the way it is now, he has no option. Senator C. Nelson, inquired about a disparity of rates. Mr. Biegler indicated that AAA and AARP rates are 10% below corporate rates or about \$67.00. Senator C. Nelson inquired about the nightly occupancy rate for his establishment. Mr. Biegler indicated it was difficult to find this number. It varies at different times of the year. Doug Anselmin of the Fargo Holiday Inn appeared before the committee. He indicated that he supports the bill for a couple of reasons. There have been substantial increases in utility costs and labor costs. It costs more to stay in business today and at the \$42.00 rate consequently it doesn't make good business sense for us to honor that rate very often. A \$5.00 increase is certainly a good start. It represents about a 12% increase. He indicated he has done a study of surrounding states rates and we are certainly at the low end of the survey there. Most of those states have different rates for different cities instead of one rate for statewide. At the Holiday Inn our average daily rates are in the upper \$70.00 range and our occupancy is in the 70% range. This makes it tough to honor state rates. Senator T. Mathern inquired if the Holiday Inn at Fargo ever accepted state rates. Mr. Anselmin indicated they take about 80 rooms per year strictly based on occupancy at the time. Senator Dever inquired if we raised the state rate would that change this. Mr. Anselmin indicated probably not substantially. Pete Zimmerman representing the Holiday Inn in Minot appeared before the committee. Minot from a lodging and hospitality standpoint is not in the same market as Bismarck and Fargo. City wide occupancy in Minot is 48%. Average daily rate for the city of Minot is \$45.00. The only other real different piece of information he had to offer was his largest volume corporate account does approximately 1500 nights per year. Questions were offered by Senators T. Mathern, Krebsbach, Kilzer, C. Nelson and Wardner. Responses were offered by Mr. Zimmerman, (Tape 1, Side B, Meter #'s 19.8-25.0) Bill Shalhoob once again appeared before the committee. He

included a couple of other points. There was no other testimony in support of, in neutral position, or in opposition to SB 2297. The hearing was closed at this time. After the hearing was closed it was noted that there is a Fiscal Note on this bill. The fiscal note seemed somewhat vague in its content therefore the committee requested that Jeff Larshus who prepared the Fiscal Note appear before the committee to explain it. This would be done on Friday February 2, 2001. Jeff Larshus appeared before the committee to explain the fiscal notes attached to this bill. The committee had requested that he prepare two fiscal notes one at the rate of \$47.00 and one at the rate of \$45.00. Senator T. Mathern inquired on fiscal notes are you required to list the fiscal affect for counties. Mr. Larshus indicated that they do not capture that information for the counties, what their fiscal impact might be. We do not know because they don't run through out state accounting system. Senator T. Mathern inquired but isn't this a requirement of fiscal notes? Chairman Krebsbach and Mr. Larshus indicated that where that information is not available to OMB it should be listed on the fiscal note as unavailable. The fiscal impact of this bill and it's affect on counties is not known to OMB. Senator C. Nelson inquired if OMB's definition of state employees included higher ed. Mr. Larshus indicated it did. Other questions and comments were offered by Senators Dever, Wardner, and C. Nelson (Tape 2, Side A, meter #'s 8.5-12.8). Bill Shalhoob appeared before the committee. Questions and comments were offered by Senator C. Nelson and Senator Kilzer. (Tape 2, Side A, Meter #'s 13.0-15.7) A motion for a Do Pass and rerefer to Appropriations on SB 2297 was made by Senator T. Mathern, seconded by Senator Kilzer. Roll Call Vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. Senator Krebsbach will carry the bill.

**FISCAL NOTE**  
 Requested by Legislative Council  
 2/20/2001

Bill/Resolution No.:

Amendment to: SB 2297

**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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$69,235	\$112,962		
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your 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.*

**Fiscal Note SB 2297 \$45 per night lodging rate**

SAMIS Actual Costs for the First Year of 1999 Biennium: \$1,374,222

Estimated Number of Night Stays per Year:

$$\$1,374,222 / \$46 = 29,874$$

Proposed new rate for in-state lodging= \$45

Applicable taxes: assume 9%= \$4.05

**Estimated Cost per Night= \$49.05**

**Estimated Cost per Year= 29,239 x \$49.05 = \$1,465,320**

**Less Actual Costs thru first Year of Biennium = \$1,374,222**

**Estimated Additional Costs per Year: \$91,098**

**Estimated Additional Costs per Biennium: \$182,196**

**Totals by Funding Source:**

**General Funds: \$69,235**

**Other Funds: \$112,961**

These estimated costs are based on the current lodging rate of \$42 per night plus tax. The funding source split is the percentage of actual first year expenditures on SAMIS, for the 1999 biennium. These increases are not included in agencies budget requests.

- C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Jeff Larshus	<b>Agency:</b>	OMB
<b>Phone Number:</b>	328-4902	<b>Date Prepared:</b>	02/20/2001



