

Minutes
EVALUATION SUBCOMMITTEE
Legislative Audit Commission
March 18, 2016

Members Present:

Representative Rick Hansen, Chair
Senator Mary Kiffmeyer

Members Absent:

Representative Connie Bernardy
Senator Warren Limmer

Other Legislators Present:

Representative Dan Fabian

Representative Rick Hansen called the Legislative Audit Commission Evaluation Subcommittee meeting to order at 10:01 a.m. The purpose of the meeting was to release the evaluation, *Iron Range Resources and Rehabilitation Board (IRRRB)*.

Representative Hansen introduced Jim Nobles, Legislative Auditor, who gave a brief statement about the evaluation. Mr. Nobles introduced Jody Hauer, Evaluation Manager, to present the overall findings of the report, and Elizabeth Stawicki, Legal Research Director, to present the results of the report's Appendix, which addressed the constitutional question, "Is the law that establishes the membership and powers of the board vulnerable to a constitutional challenge?"

Ms. Hauer gave an overview of the key findings of the evaluation, which were: (1) IRRRB's loans and grants had unmet objectives (such as job growth), inadequate measures of job creation, inconsistent compliance with agency policies, and unknown impacts on IRRRB's service area; (2) Giants Ridge Recreation Area had large operating losses from 2006 to 2014 and IRRRB has not set sufficient targets to measure how well it meets its stated goals; and (3) the board's governance structure is vulnerable to a constitutional challenge. Ms. Hauer highlighted the following recommendations to IRRRB made by the evaluation: (1) redesign its loan program, (2) improve its methods of measuring loan recipients' job creation, (3) maintain an accurate loan database, (4) be consistent in determining whether grants meet objectives and ensure compliance with agency policies, and (5) analyze the impact on its service area. She said the evaluation made the following recommendation on Giants Ridge: (1) IRRRB should set criteria to measure how well Giants Ridge is meeting its stated goals and determine whether the resort remains consistent with the agency's mission.

Ms. Stawicki said the report concluded that the law that grants the board power over the agency's spending is vulnerable to a constitutional challenge. She said the law is vulnerable to a challenge because (1) a person could argue that legislators serving on the board violate the state constitution's separation of powers clause and (2) a case could be made that a legislator serving on the board might be considered as holding another public office, which violates the state's dual office holding prohibition. Mr. Nobles added that the following options for change were suggested in the report's Appendix:

- Option 1. The Legislature could eliminate the board and retain the executive agency.
- Option 2. The Legislature could make the board an advisory commission.
- Option 3. The Legislature could retain the board and have the Governor appoint its members.
- Option 4. The Legislature could establish the IRRRB as a regional government organization and have voters from the Iron Range elect its board members.

Representative Hansen invited the agency representative to address the subcommittee. Mark Phillips, IRRRB Commissioner, introduced himself and acknowledged the hard work of the Office of the Legislative Auditor staff on the evaluation. Mr. Phillips said the agency intends to implement many of the recommendations, including upgrading the loan database. He said that much work needs to be done to improve Giants Ridge management and operations. He said the agency is nearing completion of a

year-long study on Giants Ridge that it expects will lead to the development of a strategic plan that should improve its revenues.

Mr. Nobles introduced Judy Randall, Deputy Legislative Auditor for Program Evaluation, who gave a brief update on the topic selection process. She said that the legislative survey deadline was that day and almost 100 responses had been received thus far. Ms. Randall also reminded members that there would be a subcommittee meeting the following Wednesday at 2:30 p.m. to make the final topic selections to be submitted to the full Legislative Audit Commission immediately following the subcommittee meeting.

With no further business, Representative Hansen adjourned the meeting at 11:34 a.m.

Representative Rick Hansen, Chair

Shelly Watterud, Recording Secretary