

**Office of Management and Budget  
Budget No. 110  
Senate Bill No. 2015; House Bill No. 1540**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2023-25 legislative appropriations<sup>1</sup></b>	<b>110.00</b>	<b>\$137,320,538</b>	<b>\$146,004,024</b>	<b>\$283,324,562</b>
2023-25 base budget	108.00	33,926,399	8,828,309	42,754,708
Legislative increase (decrease) to base budget	2.00	\$103,394,139	\$137,175,715	\$240,569,854

<sup>1</sup>The amounts shown for the 2023-25 biennium reflect the following funding pools for distributions to state agencies:

- A targeted market equity pool, including \$45,100,000 from the general fund and \$37,400,000 from other funds;
- A new and vacant FTE funding pool, including \$40,100,000 from the general fund and \$58,100,000 from other funds;
- A retirement contribution pool, including \$5,563,709 from the general fund and \$6,975,070 from other funds; and
- A deferred maintenance funding pool of \$20,000,000 from the strategic investment and improvements fund (SIIF).

**ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS**

	<b>Ongoing General Fund Appropriation</b>	<b>One-Time General Fund Appropriation</b>	<b>Total General Fund Appropriation</b>
<b>2023-25 legislative appropriations</b>	<b>\$130,803,719</b>	<b>\$6,516,819</b>	<b>\$137,320,538</b>
2021-23 legislative appropriations <sup>1</sup>	33,926,399	377,771	34,304,170
2023-25 legislative increase (decrease) to 2021-23 appropriations	\$96,877,320	\$6,139,048	\$103,016,368
Percentage increase (decrease) to 2021-23 appropriations	285.6%	1,625.1%	300.3%

<sup>1</sup>The 2023 Legislative Assembly provided a deficiency appropriation totaling \$277,771 of one-time funding from the general fund to the Office of Management and Budget (OMB) for judgment expenses pursuant to Senate Bill No. 2025 (2023).

**SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS  
Changes to Base Budget**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
The legislative action:				
Adjusted funding for base payroll changes		\$127,384	\$24,024	\$151,408
Added funding to provide employee salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024		1,114,907	213,216	1,328,123
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,643 per month		438,312	78,190	516,502

Added 1 FTE business development position (\$190,862) and 1 FTE talent acquisition manager position (\$255,452)	2.00	446,314		446,314
Added funding to reclassify 2 existing FTE positions to 1 FTE public improvements manager position (\$198,444) and 1 FTE lease administrator position (\$198,444)			396,888	396,888
Transferred funding for new FTE positions and estimated savings from vacant FTE positions to a new and vacant FTE funding pool		(1,523,083)	(184,670)	(1,707,753)
Added funding for a targeted market equity pool		45,100,000	37,400,000	82,500,000
Added funding for a new and vacant FTE funding pool		40,100,000	58,100,000	98,200,000
Added funding for an employer retirement contribution pool		5,563,709	6,975,070	12,538,779
Added funding for operating expenses, including Information Technology Department rate increases (\$25,891), procurement software (\$1,000,000), inflationary increases (\$831,774), classification system administration contracts (\$12,000), and LinkedIn recruitment tools (\$95,000)		1,455,167	509,498	1,964,665
Adjusted funding for a new Capitol space rent model		(3,711,638)	4,101,552	389,914
Transferred \$200,000 from the capital assets line item to the operating expenses line item related to base budget adjustments				0
Decreased funding for bond payments for the final year of payments on outstanding bonds related to the installation of a fire suppression system in the Capitol		(280,640)		(280,640)
Added funding for Central Services Division software and equipment			24,480	24,480
Increased funding for guardianship grants to provide total funding of \$7.1 million		4,650,000		4,650,000
Added funding for state employee child care assistance benefits (House Bill No. 1540)		3,000,000		3,000,000
Added <b>one-time funding</b> for accrued leave retirement payments		74,369	26,000	100,369
Added <b>one-time funding</b> from the Central Services Division operating fund for inflationary increases			340,000	340,000
Added <b>one-time funding</b> for operating expenses, including Capitol accessibility consulting (\$50,000), a state employee leave management system (\$335,000) and a cash management study (\$450,000)		835,000		835,000

Added <b>one-time funding</b> for capital assets, including procurement software (\$400,000) and Capitol space utilization improvements (\$2,500,000)	2,900,000		2,900,000
Added <b>one-time funding</b> for Central Services Division software and equipment, including \$358,800 from the Central Services Division operating fund	215,000	358,800	573,800
Added <b>one-time funding</b> from the Capitol building fund for accessibility improvements in legislative areas of the Capitol (\$150,000), a building automation project (\$800,000), extraordinary repairs related to electrical and mechanical repairs (\$250,000), security improvements at the Governor's residence (\$100,000), a remodeling project in the Brynhild Haugland Room in the Capitol (\$250,000), and a Capitol window replacement project (\$4,000,000)		5,550,000	5,550,000
Added <b>one-time funding</b> from SIIF for a deferred maintenance funding pool		20,000,000	20,000,000
Added <b>one-time funding</b> for Prairie Public Broadcasting grants	1,792,450		1,792,450
Added <b>one-time funding</b> for the state student internship program	500,000		500,000
Added <b>one-time funding</b> for an infrastructure grant for a rural senior center in Wells County	200,000		200,000
Added <b>one-time funding</b> from the federal Governor's Emergency Education Relief (GEER) Fund for education grants		3,659,555	3,659,555
Total	<u>2.00</u>	<u>\$103,394,139</u>	<u>\$137,175,715</u>

#### FTE Changes

The Legislative Assembly approved 110 FTE positions for OMB for the 2023-25 biennium, an increase of 2 FTE positions from the 2021-23 biennium authorized level of 110 FTE positions. The Legislative Assembly authorized 1 FTE business development position and 1 FTE talent acquisition manager position.

#### Deficiency Appropriations

Senate Bill No. 2025 provides a deficiency appropriation of \$277,771 from the general fund to OMB for judgment expenses.

### One-Time Funding

One-time appropriations for the 2023-25 biennium for OMB include the following:

	General Fund	Other Funds	Total
Accrued leave retirement payouts	\$74,369	\$26,000	\$100,369
Inflationary increases		340,000	340,000
Capitol accessibility consulting	50,000		50,000
Accessibility improvements in legislative areas of the Capitol (Capitol building fund)		150,000	150,000
State employee leave management system	335,000		335,000
Cash management study	450,000		450,000
Procurement software	400,000		400,000
Building automation upgrades in the Capitol (Capitol building fund)		800,000	800,000
Extraordinary repairs - electrical and mechanical repairs (Capitol building fund)		250,000	250,000
Capitol space utilization improvements	2,500,000		2,500,000
Central Services Division software and equipment	215,000	358,800	573,800
Governor's residence improvements (Capitol building fund)		100,000	100,000
Brynhild Haugland Room remodeling project (Capitol building fund)		250,000	250,000
Capitol window replacement project (Capitol building fund)		4,000,000	4,000,000
Deferred maintenance projects (SIIF)		20,000,000	20,000,000
Prairie Public Broadcasting grants	1,792,450		1,792,450
State student internship program	500,000		500,000
Governor's Emergency Education Relief - education grants (federal funds)		3,659,555	3,659,555
Infrastructure grant for Wells County	200,000		200,000
<b>Total</b>	<b>\$6,516,819</b>	<b>\$29,934,355</b>	<b>\$36,451,174</b>

### Capital Improvements

In House Bill No. 1015, the Legislative Assembly provided \$20 million from SIIF for deferred maintenance projects, including \$12 million for a boiler replacement project and \$700,000 for a water mitigation project at the Liberty Memorial Building. The Legislative Assembly also provided \$5.55 million from the Capitol building fund for capital improvements, including \$500,000 for accessibility improvements in legislative areas of the Capitol, \$800,000 for a building automation project, \$250,000 for extraordinary repairs related to electrical and mechanical repairs, \$100,000 for security improvements at the Governor's residence, \$250,000 for a remodeling project in the Brynhild Haugland Room in the Capitol, and \$4 million for a Capitol window replacement project.

### Statewide Memberships

The schedule below provides information on statewide dues and memberships for the 2021-23 and 2023-25 bienniums.

	2021-23 Biennium	2023-25 Biennium	Increase (Decrease)
Commission on Uniform State Laws (This budget includes travel costs, conference registration, and annual dues)	\$148,000	\$162,800	\$14,800
Council of State Governments	230,889	240,125	9,236
Western Governors' Association	79,200	83,160	3,960
National Governors Association	75,800	79,590	3,790
National Lieutenant Governors Association	2,000	2,100	100
Education Commission of the States	106,200	117,882	11,682
Western Interstate Commission for Higher Education <sup>1</sup>	0	0	0
<b>Total dues and memberships</b>	<b>\$642,089</b>	<b>\$685,657</b>	<b>\$43,568</b>

<sup>1</sup>Funding for the Western Interstate Commission for Higher Education is included in the higher education budget. The 2023-25 biennium includes \$330,000 compared to \$294,000 in the 2021-23 biennium.

### **Budget Stabilization Fund Transfer**

North Dakota Century Code Chapter 54-27.2 provides any amount in the general fund at the end of the biennium in excess of \$65,000,000 must be transferred to the budget stabilization fund. The estimated transfer from the general fund to the budget stabilization fund at the end of the 2021-23 biennium totals \$194,429,031. After the transfer, the June 30, 2023, estimated general fund balance is \$1,198,158,717, and the June 30, 2023, estimated budget stabilization fund balance is \$914,429,031. However, if the interest earnings of the budget stabilization fund bring the balance of the budget stabilization fund to the 15 percent limit, the transfer from the general fund to the budget stabilization fund may be reduced or may not be required.

### **Special Fund Transfers**

**Tax relief fund or social services fund transfer** - Section 11 of Senate Bill No. 2015 provides for a transfer of \$200 million from the tax relief fund or social services fund to the human service finance fund for the 2023-25 biennium.

**Strategic investment and improvements fund transfers** - Section 13 of Senate Bill No. 2015 provides for a transfer of \$50 million from SIIF to the general fund for the 2023-25 biennium. Section 14 of Senate Bill No. 2015 provides for a transfer of \$30 million from SIIF to the North Dakota Development Fund.

### **Budgetary Changes for Other State Agencies in Senate Bill No. 2015**

**Governor's office** - Section 4 provides a 2021-23 biennium deficiency appropriation of \$6,500 from other funds for the salaries and wages line item.

**Legislative Assembly** - Section 4 provides a 2021-23 biennium deficiency appropriation of \$5,000 from the general fund for International Legislators' Forum dues.

**Adjutant General** - Section 5 provides a 2021-23 biennium deficiency appropriation of \$5 million from the state disaster relief fund for additional full-season emergency snow removal grants to tribal governments, counties, cities, and townships.

**Legislative Council** - Section 6 appropriates \$500,000 of one-time funding from the general fund to contract for a performance audit of the State Auditor and other consulting services of interim committees.

**Department of Environmental Quality** - Section 6 appropriates \$40,000 from the general fund for meeting expense reimbursement to members of the Onsite Wastewater Recycling Technical Committee.

**Department of Labor and Human Rights** - Section 6 appropriates \$50,000 of one-time funding from the general fund for analyzing the administration of occupational and professional boards.

**Department of Public Instruction** - Section 6 appropriates \$3 million from the general fund for integrated formula payments related to the phase out of transition minimum adjustments.

**Department of Commerce** - Section 6 appropriates \$500,000 of one-time funding from the general fund for workforce development grants to a tribally controlled community college in the Turtle Mountain area.

**Department of Commerce** - Section 6 appropriates \$2 million of one-time funding from the general fund for the Office of Legal Immigration.

**Department of Health and Human Services** - Section 7 appropriates \$8.25 million of one-time funding from SIIF for a behavioral health facility grant to establish a facility in the Badlands Human Service Center service region.

**Department of Career and Technical Education** - Section 7 appropriates \$26.5 million of one-time funding from SIIF for inflationary costs of existing projects approved under the statewide area career center initiative grant program.

**Judicial branch** - Section 8 appropriates \$347,518, of which \$343,245 is from the general fund and \$4,273 is from other funds, for the cost of the 1 percent employer retirement contribution increase.

**Legislative Council** - Section 9 appropriates \$58,283 from the general fund for the cost of the 1 percent employer retirement contribution increase.

**Department of Corrections and Rehabilitation** - Section 10 authorizes OMB to transfer any December 1, 2024, uncommitted federal State Fiscal Recovery Fund appropriation authority to the Department of Corrections and Rehabilitation for salaries and wages and other operating costs of the department to replace the department's general fund appropriation authority.

### **State Employee Compensation**

Section 20 of Senate Bill No. 2015 provides guidelines for targeted market equity compensation adjustments for executive branch state employees based on a statewide plan prepared by OMB to address occupational market disparities, recruitment and retention challenges, and external pay inequities for critical employees. The salary equity increases must be provided by July 1, 2023, and the funding must be used for the cost to continue the salary increase, including the effect of regular salary increases authorized by the Legislative Assembly. Section 68 of the bill includes an emergency clause for the targeted market equity pool.

Section 21 of Senate Bill No. 2015 provides guidelines for the 2023-25 biennium state employee compensation adjustments. The salary increases are to average 6 percent for eligible state employees in the 1<sup>st</sup> year and are to average 4 percent for eligible state employees in the 2<sup>nd</sup> year of the biennium. The Office of Management and Budget is required to develop guidelines for the compensation adjustments for classified employees. Employees whose documented performance does not meet standards are not be eligible for compensation adjustments.

Section 22 of Senate Bill No. 2015 provides guidelines for a new and vacant FTE funding pool for executive branch state employees, excluding higher education and the non-Public Health divisions of the Department of Health and Human Services. Funding was decreased in state agency budgets, and the Legislative Assembly included 70 percent of the estimated vacancy funding and 90 percent of the funding for new FTE positions in the funding pool. Agencies may request funding from OMB, up to the amount of funding removed from the agencies' budgets, when hiring new FTE positions or if the agencies do not realize sufficient savings from vacant positions.

Section 23 of Senate Bill No. 2015 provides guidelines for an employer retirement contribution pool for executive branch state employees related to a 1 percent employer retirement contribution increase in House Bill No. 1040 (2023) and related to retirement contribution increases for peace officers employed by the state in House Bill Nos. 1183 and 1309 (2023). Pursuant to Section 23, OMB is to receive \$112,176, of which \$95,753 is from the general fund and \$16,423 is from other funds.

### **Legislative Management Studies in Senate Bill No. 2015**

**State fire and tornado fund and state bonding fund study** - Section 63 provides for a Legislative Management study regarding the administration of the state fire and tornado fund and the state bonding fund.

**Management and maintenance of state facilities study** - Section 64 provides for a Legislative Management study regarding the policies and procedures of state agencies, excluding institutions of higher education, for managing, maintaining, and leasing state facilities.

**Guardianship programs study** - Section 65 requires the Legislative Management to study the state's guardianship programs.

### **Other Sections in Senate Bill No. 2015**

**Community service supervision fund** - Section 3 appropriates any funding in the community service supervision fund to OMB for distributions to community corrections association regions.

**State student internship program** - Section 12 authorizes OMB to transfer student internship funding to other state agencies.

**Strategic investment and improvements fund** - Section 15 identifies \$20 million from SIIF for a deferred maintenance funding pool, of which up to \$12 million may be used for a boiler replacement project and up to \$700,000 may be used for a water mitigation project at the Liberty Memorial Building. Section 68 includes an emergency clause for the deferred maintenance funding pool.

**Capitol building fund** - Section 16 identifies \$5.55 million from the Capitol building fund, including \$150,000 for accessibility improvements in legislative areas of the Capitol, \$800,000 for a building automation project, \$250,000 for extraordinary repairs related to electrical and mechanical repairs, \$100,000 for security improvements at the Governor's residence, \$250,000 for a remodeling project in the Brynhild Haugland Room in the Capitol, and \$4 million for a Capitol window replacement project.

**Cash management study** - Section 17 identifies \$450,000 for procuring consulting services to conduct a study and develop recommendations for improvement of the cash management practices of the state.

**Rural senior center infrastructure grant** - Section 18 identifies \$200,000 for a rural senior center infrastructure grant to an organization in Wells County.

**Grant and expense designations** - Section 19 designates the funding for unemployment insurance (\$1.8 million), the Capitol Grounds Planning Commission (\$25,000), and statewide memberships and dues (\$685,657).

**North Dakota Development Fund project approval** - Section 24 creates a new subsection to Section 10-30.5-02 requiring the Clean Sustainable Energy Authority to approve projects for financing from the North Dakota Development Fund if the projects enhance the production of clean sustainable energy.

**K-12 education funding formula transition minimum adjustments** - Section 25 amends Section 15.1-27-04.1, as amended in Senate Bill No. 2284, to change the phase out of transition minimum adjustments in the K-12 education funding formula.

**School construction loans** - Sections 26 and 27 amend Section 15.1-36-02 relating to school construction loans from the coal development trust fund for unanticipated construction projects to increase the maximum loan amount from \$2 million to \$5 million and to allow school districts to apply for loans for inflationary costs if the school construction project is bid after January 1, 2021, and before June 30, 2024. Section 28 amends Section 15.1-36-04 to clarify school construction loans are evidences of indebtedness, which are a general obligation of the school district. Section 67 includes an effective date of July 1, 2024, related to Section 27 of the bill.

**Controlled substance distribution penalty** - Section 29 amends a new section to Chapter 19-03.1, as created in Senate Bill No. 2248 (2023), to clarify the penalty for delivering a controlled substance that results in death or serious injury.

**Legacy fund earnings** - Section 30 changes the definition of legacy fund earnings, as amended in Senate Bill No. 2330 (2023), increasing the earnings from 7 to 8 percent of the 5-year average value of the fund. However, the Governor vetoed this section.

**Flexible transportation fund** - Section 31 amends the flexible transportation fund, as amended in House Bill No. 1012 (2023), to require Budget Section approval for any project that uses more than \$10 million from the fund, except for projects with federal or private matching funds.

**Capitol building fund continuing appropriation authority** - Section 32 clarifies the continuing appropriation authority from the Capitol building fund may be used only for remodeling projects. However, the Governor vetoed this section.

**State leave sharing program** - Section 33 amends Section 54-06-14.7 to allow probationary employees to participate in the state leave sharing program.

**Capitol space rent model** - Section 34 amends Section 54-21-19 to authorize agency rental payments for space used on the Capitol grounds by executive branch agencies receiving general fund appropriations. Section 35 creates a new subsection to Section 54-44-11 to authorize OMB to create an operating fund for facility management operations to fund the operations of the Facility Management Division for a new Capitol space rent model.

**Defined benefit retirement plan closure** - Sections 36 through 40 and 44 through 50 amend various sections of law, as amended in House Bill No. 1040, to close the main system defined benefit plan on December 31, 2023, 1 year earlier than the provisions of House Bill No. 1040, if the Retirement Board certifies the Public Employees Retirement System (PERS) is prepared to close the plan on that date pursuant to a contingent effective date in Section 66 of the bill. Section 56 prohibits the Retirement Board from reducing the actuarial rate of return assumption for the investment of the PERS main system defined benefit plan below 6.5 percent. Section 57 directs PERS to conduct an informational campaign to educate current and prospective state employees of the transition from the defined benefit retirement plan to the defined contribution retirement plan.

**Retirement Board membership** - Section 41 amends Section 54-52-03 to increase the size of the Retirement Board from 9 to 11 members. Section 67 includes an effective date for the membership change, and Section 68 includes an emergency clause for the change.

**Peace officer retirement plan** - Section 42 amends Section 54-52-06.4, as amended in House Bill No. 1309, to include other state peace officers in the peace officer retirement plan. Section 43 amends Section 54-52-17, as amended in House Bill No. 1183, to increase the retirement multiplier from 2 to 3 percent for eligible peace officers in the peace officer retirement plan.

**Fertilizer development incentive program** - Section 51 amends Section 54-63.1-04 to require the Clean Sustainable Energy Authority to develop a fertilizer development incentive program, including guidelines to provide loan forgiveness upon the completion of the development of a fertilizer production facility, and to require the authority to request an appropriation to provide funding for the incentives.

**Joint water resource boards** - Section 52 amends a new subsection to Section 61-16.1-11, as created by Senate Bill No. 2372 (2023), allowing certain counties to levy 2 mills of property tax rather than requiring the counties to levy the property tax.

**Property tax exemption** - Section 53 amends an effective date section in House Bill No. 1438 (2023) to apply the effective date retroactively for tax year 2022 related to a property tax exemption for hospital property. However, the Governor vetoed this section.

**Water infrastructure revolving loan fund** - Section 54 repeals a transfer of \$100 million of Bank of North Dakota profits to the water infrastructure revolving loan fund in Senate Bill No. 2020 (2023). Section 55 provides a line of credit of up to \$100 million to the Department of Water Resources for a transfer to the water infrastructure revolving loan fund.

**Infrastructure revolving loan fund** - Section 58 provides an exemption allowing a park district to apply for a loan from the infrastructure revolving loan fund to refinance an outstanding loan for a project and to pay the outstanding balance of any special assessments associated with the project.

**Employee Benefits Programs Committee exemption** - Section 59 exempts sections in the bill related to the defined benefit retirement plan closure and peace officer retirement plan changes from the requirement to have an actuarial analysis.

**Fiscal management exemption** - Section 60 allows 2021-23 biennium appropriation authority for the Fiscal Management Division of OMB to continue into the 2023-25 biennium.

**Unexpended appropriations exemption** - Section 61 allows 2019-21 biennium appropriation authority from SIIF for an assessment of state lands and facilities and 2021-23 biennium appropriation authority from the Capitol building fund for a facility consolidation study to continue into the 2023-25 biennium.

**Legacy fund earnings report** - Section 62 requires the Retirement and Investment Office to provide a report each biennium regarding the amount of legacy fund earnings above the percent of market value that would have been transferred to the legacy earnings fund if Senate Bill No. 2330 had not been approved by the 2023 Legislative Assembly.

**Emergency clause** - Section 68 provides an emergency clause for Section 4 of Senate Bill No. 2012 relating to child support payments and for Senate Bill No. 2024 (2023) relating to the budget for the Ethics Commission.

#### **Related Legislation**

**House Bill No. 1056 (2023)- Printing services** - Changes the requirement for state agencies to purchase printing services from OMB allowing state agencies to use the most cost-effective printing option.

**House Bill No. 1088 (2023) - Board membership** - Replaces the Insurance Commissioner with the Director of OMB as a member of the State Investment Board and the Legacy and Budget Stabilization Fund Advisory Board.

**House Bill No. 1540 - Child care assistance payments** - Expands the eligibility for child care assistance payments and provides an appropriation to OMB for state employee child care assistance payments.

**Senate Bill No. 2042 (2023) - Procurement process** - Clarifies the procurement process and requires bidders to register with the Secretary of State prior to the contract award.