

TESTIMONY OF

Joe Morrisette, Director of OMB

Good morning Chairman Vigessaa and members of the House Appropriations Committee – Government Operations Division. I am Joe Morrisette, the Director of the Office of Management and Budget.

My budget testimony consists of:

- The attached slide deck, which summarizes our current budget, recommended budget, 2019-21 accomplishments, and goals for the 2021-23 biennium
- OMB organizational chart
- Listing of significant statutory references to the Office of Management and Budget
- Spreadsheet summarizing fiscal year 2020 expenditures and 2021-23 recommendation by line item and by ongoing and one-time expenditures
- Spreadsheet summarizing budget changes from the Legislative Base to the Executive Budget Recommendation
- Spreadsheet summarizing the proposed capitol complex rent model change
- Descriptions of the various sections included in the executive bill draft for HB1015 and requested to be incorporated into the House version of HB1015

I look forward to working with all of you this session and am available any time to address your questions regarding the OMB budget and any other aspect of the governor's executive budget.

Feel free to contact me either at jmorrisette@nd.gov, my office number at 701-328-4606, or my cell phone at 701-220-6361.



HB 1015 TESTIMONY HOUSE APPROPRIATIONS/GOVT OPS

Joe Morrissette, Director
Wednesday, January 13, 2021

**NORTH
Dakota** | Management
and Budget
Be Legendary.™

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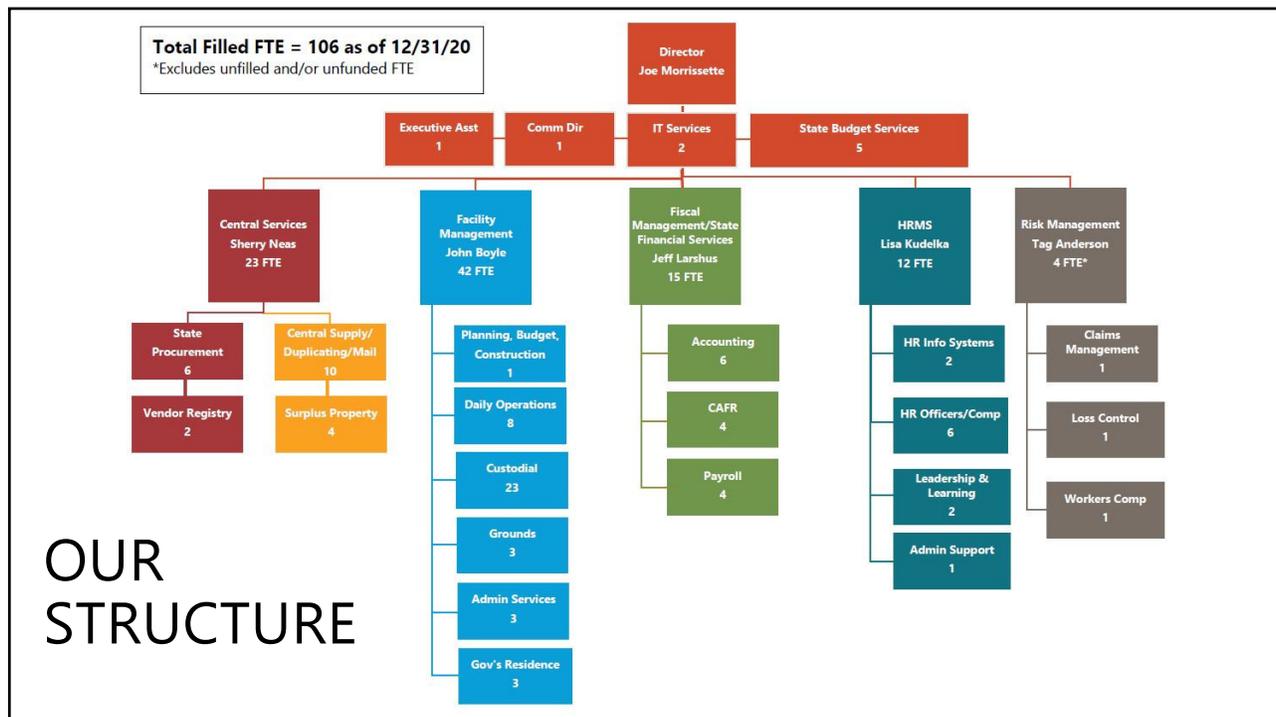


WHO WE ARE

Mission Statement
Provide innovative leadership and support
to state government.

Structure – Five Divisions
Central Services
Facility Management
Fiscal Management
Human Resource Management Services
Risk Management

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CENTRAL SERVICES DIVISION

What We Do

- Operate state procurement to obtain needed goods, services, printing and IT through a legal, fair, and competitive process.
- Establish state contracts to save time, money and create efficiency for government entities.
- Provide procurement training and help agencies purchase goods, services, printing and IT.
- Operate a central supply of office products.
- Operate the online vendor registry system which allows online registration to pay vendors and provide IRS 1099 reporting.
- Operate a central printing and mailing service to create efficiency and avoid duplication.
- Distribute state and federal surplus property to eligible entities and manage e-waste.

Who We Serve

- State agencies
- Vendors
- K-12, NDUS and political subdivisions

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FACILITY MANAGEMENT DIVISION

What We Do

- Maintain the state Capitol complex.
- Approve all leases for space outside the Capitol complex.
- Provide space utilization and facility planning guidance to state agencies.
- Provide Capitol tours.
- Approve and coordinate events held on the Capitol complex.
- Support the Capital Grounds Planning Commission.
- Manage construction projects, major improvements and repairs within the Capitol complex.
- Manage the 2019-21 comprehensive real estate study.
- Plan for the future through the Capitol Grounds Master Plan.

Who We Serve

- State agencies
- The public

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FISCAL MANAGEMENT DIVISION

What We Do

- Provide financial management and financial services to state government, including:
 - Budgeting ▪ Accounting ▪ Payroll ▪ Financial reporting
- Manage the state purchasing card (P-card) program, creating a simplified and efficient payment process and generating rebates for the general fund and political subdivisions.
- Maintain the state financial transparency portal.
- Maintain the statewide PeopleSoft Financial/HR Enterprise Resource Planning (ERP) system.

Who We Serve

- State agencies
- State team members
- The governor
- The public
- Media
- Political subdivisions
- Legislators

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HUMAN RESOURCE MANAGEMENT SERVICES

What We Do

- Provide HR guidance, assistance, and comprehensive HR services to state agencies.
- Promote consistent HR policies and practices.
- Establish and maintain the state classification system.
- Provide professional development and leadership training to state team members.
- Support agencies through the talent acquisition process.
- Maintain the state careers website.
- Support PeopleSoft Human Capital Management (HCM), Enterprise Learning Management (ELM) and job description system.

Who We Serve

- State agency HR leaders
- State team members
- Career seekers

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RISK MANAGEMENT DIVISION

What We Do

- Promote safety and loss control practices.
- Coordinate the management of risk in state governmental activities including:
 - Risk assessment
 - Loss control
 - Risk financing
 - Claims administration
 - Litigation
- Maintain cyber insurance coverage for state government.
- Administer the single joint account for all state entities in cooperation with WSI as part of a large deductible program.

Who We Serve

- State agencies and institutions
- State team members
- Citizens

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2019-21 BIENNIUM ONE-TIME ITEMS

- **\$1,900,000 extraordinary repairs**
 - \$1,129,995 spent through December 31, 2020
 - Balance will be spent by June 30, 2021
- **\$2,000,000 Capitol south entrance**
 - \$1,841,936 spent through December 31, 2020
 - Balance will be spent by June 30, 2021
- **\$320,000 special assessments**
 - \$160,000 spent through December 31, 2020
 - Balance will be spent by June 30, 2021

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2019-21 BIENNIUM ONE-TIME ITEMS

- **\$3,500,000 litigation funding pool**
 - \$1,219,564 spent through December 31, 2020
 - Undetermined amount to be spent by June 30, 2021
 - Unspent balance will be returned to the SIIF
- **\$500,000 state real estate study**
 - \$196,910 spent through December 31, 2020
 - \$250,000 estimated amount to be spent by June 30, 2021
- **\$170,000 Risk Management IT system**
 - \$154,083 spent through December 31, 2020
 - \$170,000 estimated amount to be spent by June 30, 2021

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2019-21 BIENNIUM ONE-TIME ITEMS

- **\$250,000 State Student Internship Program**
 - \$83,238 spent through December 31, 2020
 - \$90,000 estimated amount to be spent by June 30, 2021
- **\$50,000 Study of eProcurement**
 - \$49,930 spent through December 31, 2020
 - No remaining expenditures

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CRF EXPENDITURES

	Amount Appropriated	Amount Spent through 12/31/20
Touchless bath fixtures	\$110,000	\$110,000
Cleaning contract	34,700	34,700
Automatic doors	83,425	-
HVAC improvements - Ionizers	856,100	856,100
Private K-12 Institutions	918,830	704,070
Private Universities, Tribal Colleges and Trade Schools	5,000,000	3,681,761
Total	\$7,003,055	\$5,386,631

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2019-21 ACCOMPLISHMENTS



Team member communications and training

- ✓ Launched OMB Agency Essentials training program with over 600 participants
- ✓ Launched procurement 2020 communications plan
- ✓ Delivered Leadership Everywhere training to over 3,100 individuals



Efficiency through new technology

- ✓ PeopleSoft Fiscal upgrade
- ✓ Online onboarding process
- ✓ New Surplus Property marketing module
- ✓ Risk Vision software replacement
- ✓ Single use accounts payment process to facilitate electronic vendor payments
- ✓ New careers webpage
- ✓ Budget/actual transparency dashboard
- ✓ Total Rewards statement
- ✓ CARES Act transparency dashboard



Facilities

- ✓ South entrance remodel project
- ✓ Space utilization study/campus master plan
- ✓ Replacement of south Capitol sign
- ✓ Capitol building COVID-19 improvements



Fiscal management

- ✓ Developed 10-year facility maintenance plans
- ✓ Synced budget documents to legislative base for improved clarity
- ✓ Managed distribution and reporting of \$1.25 B federal Coronavirus Relief Fund
- ✓ Generated p-card rebate of \$2.6 million in FY20



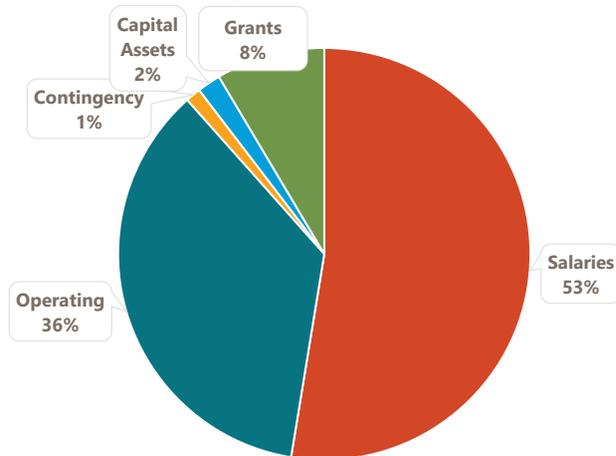
Efficiency through centralization

- ✓ BND and DOT printing
- ✓ Uniform HR policies
- ✓ HFA payroll processing
- ✓ eProcurement study with Higher Ed
- ✓ DEQ HR and payroll administration
- ✓ Small agency payroll administration
- ✓ Dept of Commerce procurement services

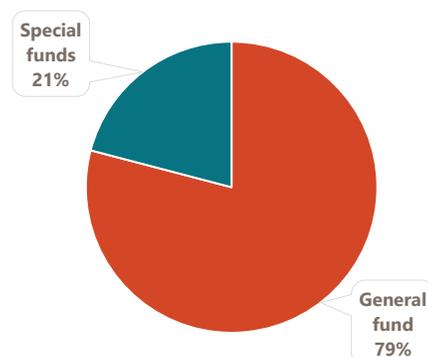
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OMB LEGISLATIVE BASE BUDGET – 2019-21

2019-21 Appropriation - \$41.7 Million

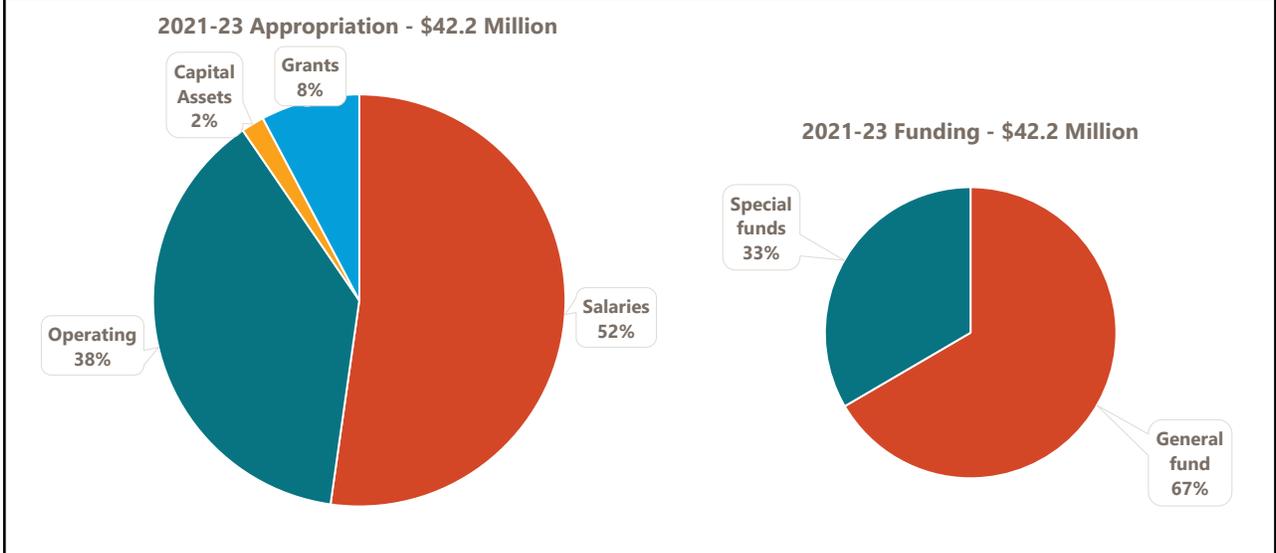


2019-21 Funding - \$41.7 Million



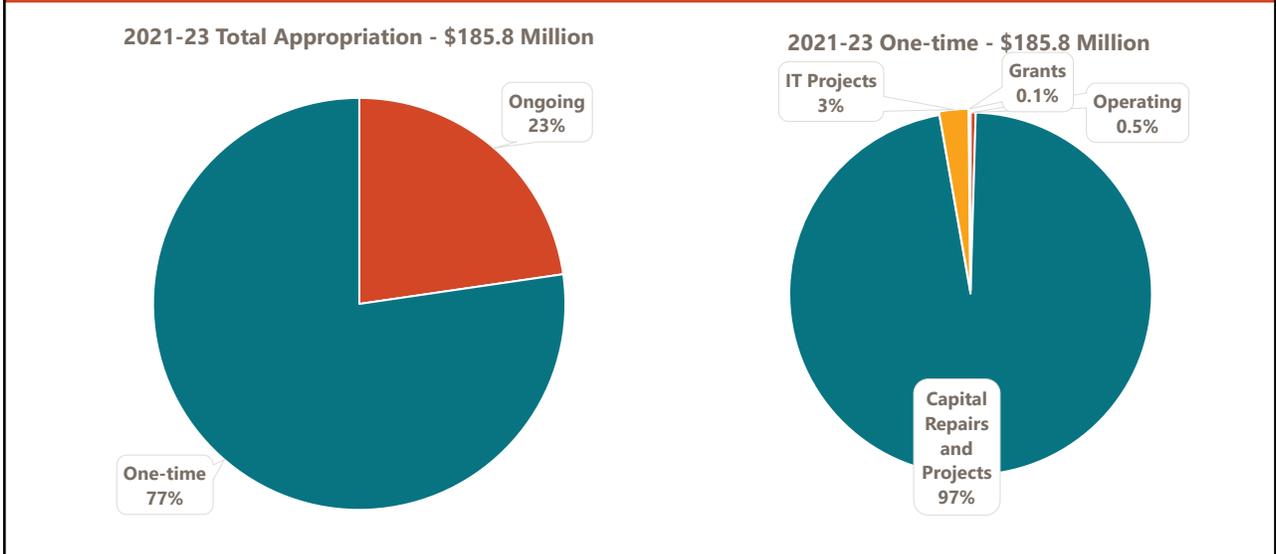
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OMB PROPOSED BUDGET – 2021-23 ONGOING EXPENDITURES



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OMB PROPOSED BUDGET – 2021-23 ONGOING AND ONE-TIME EXPENDITURES



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2021-23 GOALS AND OBJECTIVES



Improve team member communications and training

- Statewide intranet and communications
- OMB intranet
- New OMB website
- Continued development and delivery of OMB Agency Essentials training
- Continued development and delivery of Leadership Everywhere training



Improve facilities

- Improve utilization of Capitol through space reconfiguration, ADA improvements and Brynhild Haugland Room remodel
- Improve state facilities by addressing backlog of deferred maintenance



Improve efficiency through new technology

- eProcurement system
- New state budgeting system
- PeopleSoft travel and expense module



Improve efficiency through unification

- Printing and mailing consolidation with additional agencies
- Payroll administration consolidation with additional small agencies
- HR services consolidation with additional small agencies
- Procurement consolidation with additional small agencies
- Conduct study and analysis of facility management consolidation opportunities

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GOALS AND OUTCOMES

Improved Efficiency/Reduced Costs

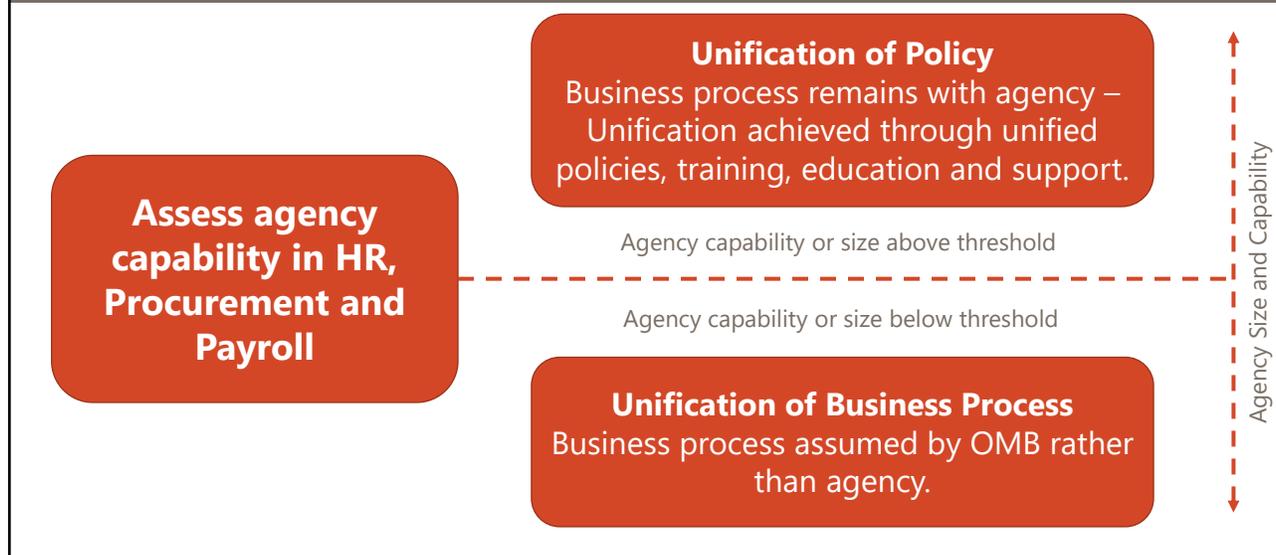
Increased Consistency

Operational Improvement

Unification of processes, policies and operations.

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UNIFICATION STRATEGY FOR HR, PAYROLL AND PROCUREMENT



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BUDGET CHANGES
IT SYSTEM UPGRADES AND REPLACEMENTS

- **New state budget system**
 - One-time system acquisition and implementation - \$1,230,100
 - Ongoing costs for maintenance and updates - \$403,000
 - Compared to \$429,688 with current budget system
- **eProcurement system**
 - One-time system acquisition and implementation - \$2,021,204
 - Ongoing costs for maintenance and updates - \$152,000
- **Building access automation system**
 - Phase one - one-time system upgrade costs – \$518,800
 - Total project cost of \$800,000

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- Transfer of 4 FTE positions from OMB to NDIT
 - Desktop Support Specialist
 - IT Coordinator/Network Specialist
 - Human Resources Information System Manager
 - Business Analyst I
- Transfer of funding within OMB budget
 - Reduction of \$845,545 to salaries and wages line item
 - Increase of \$845,545 to operating expenses line item to pay NDIT charges for services



BUDGET CHANGES IT UNIFICATION

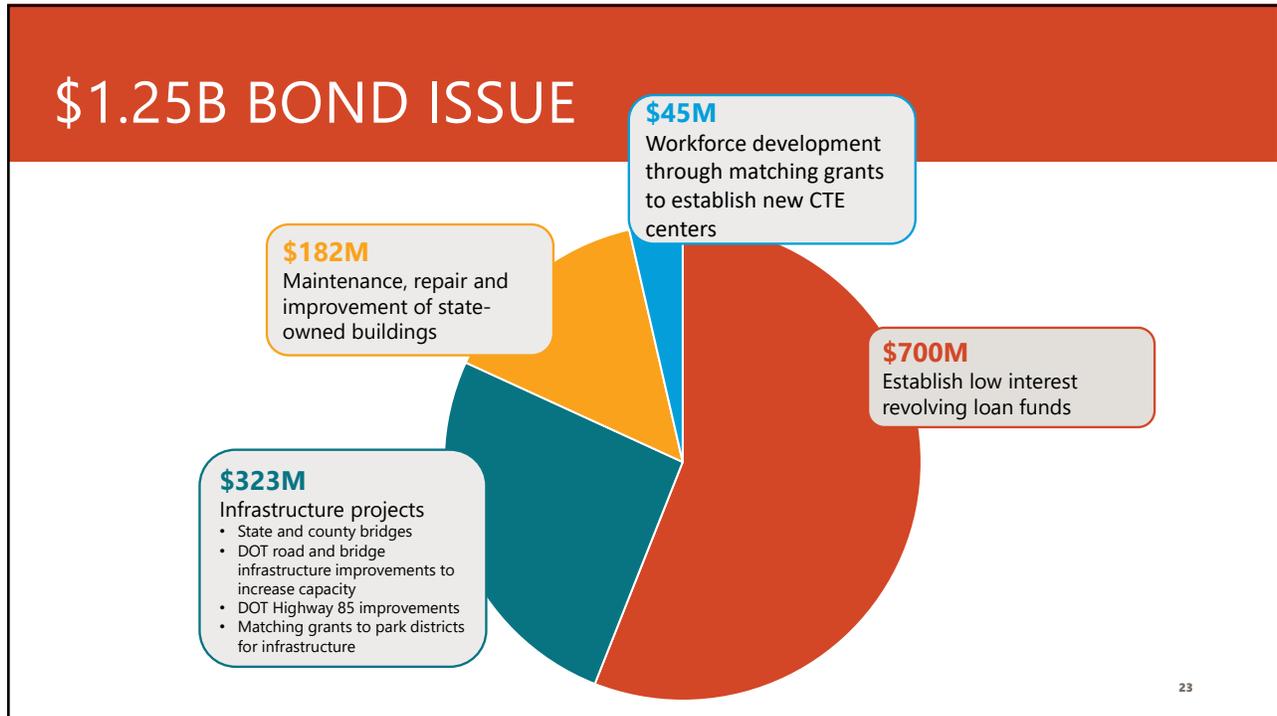
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BUDGET CHANGES CAPITAL PROJECTS

- Bonding proceeds - \$137.1 million
 - \$130.5 million for critical state building maintenance and repair projects identified through 2019-2020 real estate study and condition assessment
 - \$5.5 million for space reconfiguration to improve utilization of existing space in the Capitol and Judicial wing
 - \$600,000 for ADA improvements throughout the Capitol
 - \$500,000 for improvements to the Brynhild Haugland Room

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- Capitol Building Fund projects - \$1.9 million
 - \$1.0 million for exterior and interior wayfinding signage
 - \$300,000 for parking lot and road repairs
 - \$600,000 for mechanical repairs



**BUDGET
CHANGES**

CAPITAL PROJECTS

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**BUDGET
CHANGES**
RENT MODEL CHANGE

- **Current model**
 - Only non-general fund agencies pay rent
- **Proposed model**
 - All agencies pay a consistent rental rate per square foot
 - Funding added in executive budget for all general fund agencies to pay rent based on current occupied space
 - Offsetting general fund savings in FM salary budget, which would now be funded from special funds
- **Outcome**
 - Agencies will be incentivized to efficiently manage space utilization and benefit from future rent savings if space is reduced
 - Better utilization of existing space has positive return by minimizing use of offsite space and makes best use of state resources

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- Rent model change results in additional rent collection
- Provides opportunity to fund Facility Management from facility rent payments and move toward self-funded facility services model
- Net amount deposited in general fund remains nearly unchanged:

▪ 2019-21 biennium rent deposited in general fund	\$2,545,000
▪ 2021-23 biennium:	
▪ Total rent collected	\$7,762,000
▪ Less amount used to fund FM salaries	<u>\$5,245,000</u>
▪ Net amount deposited in general fund	\$2,517,000



**BUDGET
CHANGES**
FACILITY MANAGEMENT
FUNDING SOURCE
CHANGE

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BUDGET CHANGES UNIFICATION OF SERVICES

Repurposing of 4 vacant FTE to expand OMB services:

- Additional funding of \$165,693 needed to fully fund positions for the 2021-23 biennium
- 1 additional HR officer to provide services to small agencies without dedicated internal HR staff, centralize the state leave sharing program and better meet the demands from agencies requesting help with HR issues
- 3 additional procurement officers to expand procurement services, manage the eProcurement system, provide additional services to small agencies without dedicated internal procurement staff, and provide more oversight of the procurement process

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RESPONSE TO RECENT AUDIT FINDING

Fiscal year 2019 audit of OMB resulted in one finding:

- OMB should ensure all vendor responses to alternative procurement are received by OMB to provide better oversight of the procurement process
- OMB agrees this approach would provide more control but would require additional staffing to manage the alternate procurement process centrally rather than through the current approach where authority is delegated to agencies

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LINE-ITEM CHANGES SALARIES

Increased by \$123,527 due to the following:

- Reduction of \$845,545 for the transfer of 4 FTE to ITD as part of IT unification process
- Reduction of \$558,589 for two HR manager positions that are repurposed
- Addition of \$724,282 to repurpose four currently vacant FTE to add an HR officer and three procurement officers to centralize and improve services
- Addition of \$608,421 for the executive compensation package

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Increased by \$1,827,304:

- Ongoing expenses are increased by \$1,177,304 for:
 - Various reductions totaling \$298,000 based on analysis of current spending, including IT contractual services, professional development, printing and travel
 - Increase of \$846,545 for ITD charges to support positions transferred from OMB to ITD as part of unification
 - Increase of \$488,055 for change in the rent model
- One-time expenses are increased by \$650,000 for:
 - \$350,000 for a facility management consolidation study
 - \$300,000 to pay special assessments



LINE-ITEM CHANGES OPERATING

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LINE-ITEM CHANGES CONTINGENCY

- Reduced by \$500,000, to \$0
- Section 19 proposes authority for the Emergency Commission to authorize OMB to borrow up to \$1 million from the Bank of North Dakota as a line of credit to respond to state contingencies
- Any funds borrowed under this proposed authority would be repaid with a deficiency appropriation requested from the subsequent Legislative Assembly

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Increased by \$142.8 million for the following:

- \$137.1 million in bonding proceeds:
 - \$130.5 million for critical maintenance and repair projects identified in the 2019-2020 real estate assessment
 - \$5.5 million for reconfiguring space in the capitol building and Judicial wing
 - \$600,000 for ADA improvements throughout the capitol
 - \$500,000 for improvements to the Brynhild Haugland
- \$2.5 million for projects in the capitol complex funded from the Capitol Building Fund, including building automation upgrade, exterior and interior wayfinding signage, parking lot and road repairs and mechanical repairs
- \$1.2 million for a new state budget system
- \$2.0 million for a new eProcurement system



LINE-ITEM CHANGES CAPITAL ASSETS

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LINE-ITEM CHANGES LITIGATION POOL

- The 2019 legislature appropriated \$3.5 million from the Strategic Investment and Improvements fund for a centralized litigation pool.
- Rather than provide separate appropriations to each of these agencies for unknown costs, the most efficient approach is a central pool. Through December 31, 2020, \$952,125 has been utilized for litigation costs.
- Any amount remaining unspent as of June 30, 2021 will be returned to the Strategic Investment and Improvements Fund.
- Although the 2019-21 appropriation was provided to OMB, the 2021-23 executive budget proposes this funding be included in the budget for the Attorney General to simplify the administration and allocation of the funding pool.

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- **Grants** – The grants line is decreased by \$54,000 from the general fund by removing the following appropriations:
 - Boys and Girls Clubs - \$53,000
 - COSE - \$1,000
- **Guardianship Grants** – Guardianship grants are continued at the current level of \$1,950,000.
- **Community Service Grants** – Grants to community service programs are reduced by 15%, from the current biennium level of \$350,000 to \$297,500.
- **Prairie Public Broadcasting** - The grant to Prairie Public Broadcasting is reduced by 15%, from the current level of \$1,200,000 to \$1,020,000.
- **State Student Internship** – The executive recommendation includes \$200,000 from the general fund to continue the state internship program. The current biennium budget includes a one-time appropriation of \$250,000 for the program.



LINE-ITEM CHANGES GRANTS

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OTHER TESTIMONY IN SUPPORT OF PASS-THROUGH GRANTS

- **Guardianship grants**

- Terry Traynor, Executive Director, North Dakota Association of Counties

- **Prairie Public Broadcasting**

- John Harris, President and CEO, Prairie Public Broadcasting

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OTHER SECTIONS IN BILL DRAFT

- Section 3 – Transfer from Tax Relief Fund
- Section 4 – Transfer of June 30, 2021 Legacy Fund earnings
- Section 5 – Transfer of bonding proceeds to state agencies
- Section 6 – State internship program
- Section 7 – Turnback exemption for Fiscal Management
- Section 8 – Turnback exemption for real estate study and state internship program
- Section 9 – Intent for grants

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OTHER SECTIONS IN BILL DRAFT

- Section 10 – State employee compensation adjustments
- Sections 11-16, 28-29, 31-34, 36, 38 – Bonding proposal
- Section 17 – Allocation of future Legacy Fund earnings
- Section 18 – State contingency borrowing
- Section 19 – Emergency Commission borrowing authority
- Section 20 – New Capitol rent model
- Section 21 – Shared services fund
- Section 22 – Budget stabilization fund maximum balance

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OTHER SECTIONS IN BILL DRAFT

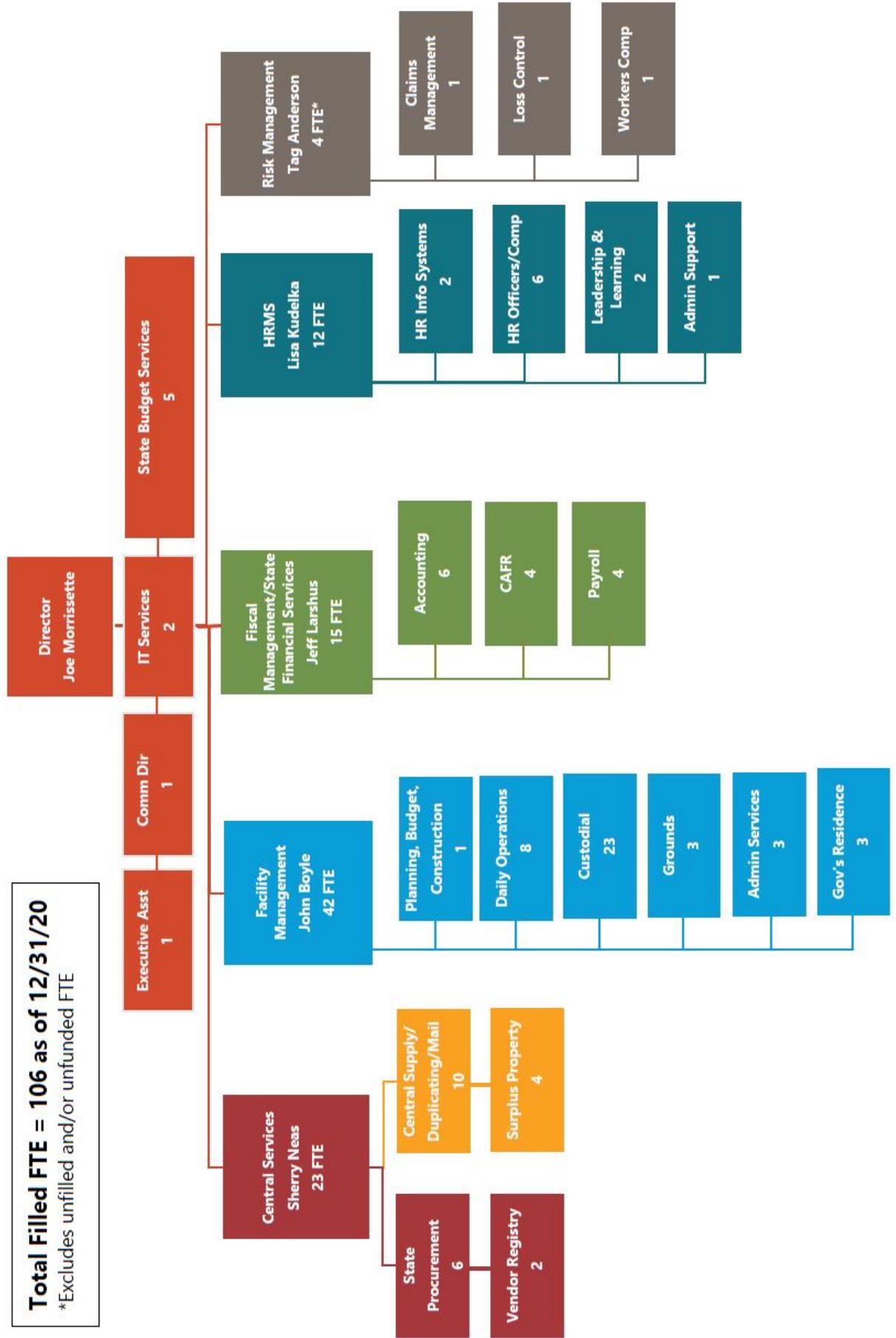
- Section 23 – Facility Management operating fund
- Section 24 – Political sub information on transparency site
- Sections 25-26 – Recycled paper requirements
- Section 27 – Business process improvement borrowing
- Section 30 – General fund share of oil and gas taxes
- Section 35 – HR positions transfer from NDIT to OMB
- Section 37 – Repeal of SECC and State Personnel Board

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OPTIONAL REQUESTS NOT INCLUDED

Description	Amount
Additional FTE for administration of eProcurement system	\$204,471
Increase in dues for Council of State Governments	17,025
Virtual Capitol tour IT project	100,000
Capitol mall enhancements	400,000
Capitol perimeter landscaping enhancements	1,100,000
Capitol south entrance landscaping	450,000
Prairie Public Broadcasting pass-through grant – One-time capital projects	2,350,000
Restore 15% reduction to pass-through grants	286,500

Total Filled FTE = 106 as of 12/31/20
 *Excludes unfilled and/or unfunded FTE



- 6-09-15.1 – BND loans to general fund
- 15-10-47 – Receipt of construction variance reports from Higher Education
- 32-12-04 – Collection of judgments against the State
- 32-12.2 – Claims Against the State
- 44-08-05.1 – Purchasing Card authority
- 46-01 – Supervision of State printing
- 46-02 – Printing and Binding
- 46-05-03 – Fees for legal notices
- 48-06 – Capitol Central Mailing Bureau
- 54-06-09 – Mileage and travel reimbursement policies
- 54-07-01.4 – Administration of statutory responsibilities not otherwise placed with a specific agency
- 54-21-18 – Office building part of capitol building – Director control of capitol grounds
- 54-21-19 – Director to furnish supplies and maintain capitol, state offices, and executive mansion – Authority to charge for services
- 54-21-28 – Space utilization studies – Office space allocation
- 54-27-11 – Records and limitation on expenditure of appropriation
- 54-27-23 – Cash flow financing
- 54-27-27 – Report on federal grant applications by state agency
- 54-35-15.3 – IT project suspension of expenditure authority
- 54-44 – Office of Management and Budget
- 54-44.1 – Office of the Budget
- 54-44.3 – Central Personnel System
- 54-44.4 – State Purchasing Practices
- 65-04-03.1 – Single State entities account with WSI

Office of Management Budget
2019-21 and 2021-23 Biennium Budget



Management and Budget
2019-21 and 2021-23 Biennium Comparison

	Actual Expenditures FY 2020	Remaining Appropriation for FY 2021	2019-21 Appropriation	2019-21 Base Level	Change from 19-21 to 21-23	2021-23 Budget Recomm.	On-going	One-time
Salaries and wages	\$10,908,526	\$10,995,290	\$21,903,816	\$21,903,816	\$123,527	\$22,027,343	\$22,027,343	\$0
Operating expenses	\$7,068,589	\$8,738,837	\$15,807,426	\$14,937,426	\$1,827,304	\$16,764,730	\$16,114,730	\$650,000
Contingency fund	\$0	\$500,000	\$500,000	\$500,000	(\$500,000)	\$0	\$0	\$0
Capital assets	\$1,376,157	\$3,460,968	\$4,837,125	\$767,125	\$142,767,494	\$143,534,619	\$764,515	\$142,770,104
Grants	\$27,000	\$27,000	\$54,000	\$54,000	(\$54,000)	\$0	\$0	\$0
Guardianship grants	\$975,000	\$975,000	\$1,950,000	\$1,950,000	\$0	\$1,950,000	\$1,950,000	\$0
Community service grants	\$175,000	\$175,000	\$350,000	\$350,000	(\$52,500)	\$297,500	\$297,500	\$0
Prairie Public Broadcasting	\$600,000	\$600,000	\$1,200,000	\$1,200,000	(\$180,000)	\$1,020,000	\$1,020,000	\$0
Litigation pool	\$736,076	\$2,763,924	\$3,500,000	\$0	\$0	\$0	\$0	\$0
State student internship	\$67,591	\$182,409	\$250,000	\$0	\$200,000	\$200,000	\$0	\$200,000
Total Funding	\$21,933,939	\$28,418,428	\$50,352,367	\$41,662,367	\$144,131,825	\$185,794,192	\$42,174,088	\$143,620,104
General Fund	\$15,318,145	\$17,897,707	\$33,215,852	\$32,915,852	(\$1,019,072)	\$31,896,780	\$28,095,476	\$3,801,304
Other Funds	\$6,615,794	\$10,520,721	\$17,136,515	\$8,746,515	\$145,150,897	\$153,897,412	\$14,078,612	\$139,818,800
FTE			112.00	112.00	(4.00)	108.00		

2021-23 Budget Changes Summary

Ongoing Budget Changes

	Legislative Base	Budget Reductions	IT Unification	Centralization of Services	Rent Model Change	Executive Compensation Package	Ongoing IT Project Costs	Other	Ongoing Budget
Salaries	\$21,903,816	(\$508,589)	(\$846,547)	\$724,282		\$608,421		\$145,960	\$22,027,343
Operating	\$14,937,426	(\$298,000)	\$846,547		\$488,055		\$152,000	(\$11,298)	\$16,114,730
Contingency	\$500,000	(\$500,000)							\$0
Capital	\$767,125							(\$2,610)	\$764,515
Grants	\$3,554,000	(\$286,500)							\$3,267,500
Total	\$41,662,367	(\$1,593,089)	\$0	\$724,282	\$488,055	\$608,421	\$152,000	\$132,052	\$42,174,088

One-Time Budget Changes

	Ongoing Budget	One-time IT	One-time Capital	FM Consolidation Study	Other	Total
Salaries	\$22,027,343					\$22,027,343
Operating	\$16,114,730			\$350,000	\$300,000	\$16,764,730
Contingency	\$0					\$0
Capital	\$764,515	\$3,770,104	\$139,000,000			\$143,534,619
Grants	\$3,267,500			\$200,000		\$3,467,500
Total	\$42,174,088	\$3,770,104	\$139,000,000	\$350,000	\$500,000	\$185,794,192

Capitol Complex Rent Model Change Proposal

Agency	Building	Office SF	Rate Per SF (office)	Storage SF	Rate Per SF (storage)	Total Office Rent Annual	Total Office Rent Biennial	Current Billable Rent	Additional Rent Amount	Amounts to use for Budget Adjustments
Governor's Office	Capitol/Jwing	5,142.00	\$14.38	252	\$1.10	\$74,219.16	\$148,438.32	\$148,438.32	\$0.00	\$148,438.00
Secretary of State	Capitol/Jwing	6,851.00	\$14.38	943	\$1.10	\$99,554.68	\$199,109.36	\$6,248.66	\$192,860.70	\$192,861.00
Office of Management & Budget	Capitol/Jwing	6,419.00	\$14.38	1,931	\$1.10	\$94,429.32	\$188,858.64	\$103,151.20	\$85,707.44	\$85,707.00
Facility Management	Capitol/Jwing	4,185.00	\$14.38	3,171	\$1.10	\$63,907.76	\$127,815.52	\$127,815.52	\$0.00	\$127,816.00
Facility Management	State Office Building			128	\$1.87		\$0.00		\$0.00	\$0.00
Human Resource Management Services	Capitol/Jwing	2,478.00	\$14.38			\$35,633.64	\$71,267.28	\$71,267.28	\$0.00	\$71,267.00
Central Services Division	Capitol/Jwing	6,934.00	\$14.38	1,747	\$1.10	\$101,632.62	\$203,265.24	\$203,265.24	\$0.00	\$203,265.00
Information Technology	Capitol/Jwing	6,211.00	\$14.38			\$89,314.18	\$178,628.36	\$178,628.36	\$0.00	\$0.00
Auditor's Office	Capitol/Jwing	5,753.00	\$14.38			\$82,728.14	\$165,456.28	\$165,456.28	\$0.00	\$165,456.00
Treasurer's Office	Capitol/Jwing	2,665.00	\$14.38	170	\$1.10	\$38,509.70	\$77,019.40	\$77,019.40	\$0.00	\$77,019.00
Attorney General	Capitol/Jwing	11,563.00	\$14.38	370	\$1.10	\$166,682.94	\$333,365.88	\$43,864.86	\$289,501.02	\$289,501.00
Tax Department	Capitol/Jwing	19,510.00	\$14.38	4,652	\$1.10	\$319,277.06	\$638,554.12	\$638,554.12	\$0.00	\$638,554.00
Legislative Council	Liberty Memorial	2,157.00	\$15.58							
Legislative Council	Capitol/Jwing	11,517.00	\$14.38			\$165,614.46	\$331,228.92	\$331,228.92	\$0.00	\$331,229.00
Supreme Court	Capitol/Jwing	26,216.00	\$14.38	890	\$1.10	\$377,965.08	\$755,930.16	\$755,930.16	\$0.00	\$755,930.00
Public Instruction	Capitol/Jwing	15,960.00	\$14.38	1,004	\$1.10	\$230,609.20	\$461,218.40	\$323,768.16	\$137,450.24	\$137,450.00
North Dakota University Systems	Capitol/Jwing	4,623.00	\$14.38	184	\$1.10	\$66,681.14	\$133,362.28	\$133,362.28	\$0.00	\$133,362.00
State Library	Liberty Memorial	12,660.00	\$11.18	12,741	\$1.12	\$155,808.72	\$311,617.44	\$30,924.18	\$280,693.26	\$280,693.00
Career & Technical Education	Capitol/Jwing	6,730.00	\$14.38	257	\$1.10	\$97,060.10	\$194,120.20	\$24,807.52	\$169,312.68	\$169,313.00
Health Department	Capitol/Jwing	28,943.00	\$14.38	798	\$1.10	\$417,078.14	\$834,156.28	\$497,757.32	\$336,398.96	\$336,399.00
Indian Affairs	Capitol/Jwing	1,050.00	\$14.38	29	\$1.10	\$15,130.90	\$30,261.80	\$30,261.80	\$0.00	\$30,262.00
Human Services	Capitol/Jwing	30,041.00	\$14.38	3,434	\$1.10	\$435,766.98	\$871,533.96	\$397,248.24	\$474,285.72	\$474,286.00
Insurance Department	Capitol/Jwing	5,236.00	\$14.38	308	\$1.10	\$75,632.48	\$151,264.96	\$151,437.44	(\$172.48)	\$0.00
Industrial Commission	Capitol/Jwing	635.00	\$14.38	184	\$1.10	\$9,333.70	\$18,667.40	\$18,770.44	(\$103.04)	\$0.00
ND Department of Labor & Human Rights	Capitol/Jwing	3,720.00	\$14.38			\$53,493.60	\$106,987.20	\$11,458.32	\$95,528.88	\$95,529.00
Public Service Commission	Capitol/Jwing	10,373.00	\$14.38	473	\$1.10	\$149,684.04	\$299,368.08	\$89,080.88	\$210,287.20	\$210,287.00
Securities Commission	Capitol/Jwing	1,504.00	\$14.38	644	\$1.10	\$22,335.92	\$44,671.84	\$45,032.48	(\$360.64)	\$0.00
Highway Patrol	Capitol/Jwing	4,008.00	\$14.38	425	\$1.10	\$58,102.54	\$116,205.08	\$19,411.06	\$96,794.02	\$96,794.00
Agriculture	Capitol/Jwing	7,357.00	\$14.38	466	\$1.10	\$106,306.26	\$212,612.52	\$46,172.24	\$166,440.28	\$166,440.00
Historical Society	Heritage Center	13,732.00				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Commission	State Office Building	21,435.00	\$12.98	210	\$1.87	\$278,619.00	\$557,238.00	\$557,351.40	(\$113.40)	\$0.00
Total for Current Capitol Occupants						\$3,881,111.46	\$7,762,222.92	\$2,545,112.76	\$5,217,110.16	\$5,217,858.00

Section 3 – Transfer from Tax Relief Fund to Social Services Finance Fund –

This section provides for the transfer of \$174.4 million from the Tax Relief Fund to the Social Services Finance Fund for costs associated with the redesign of regional social services and continuation of the transfer of social services administration from counties to the state.

Section 4 – Transfer of June 30, 2021 Legacy Fund earnings – This section proposes an allocation strategy for Legacy Fund earnings that will be deposited in the general fund at the end of the current biennium:

1. First \$100,000,000 to the general fund
2. Next \$64,370,000 to the common school trust fund
3. Next \$235,630,000 to the general fund
4. Next \$25,000,000 to North Dakota information technology for statewide cyber security
5. Next \$27,000,000 to unmanned aircraft systems fund
6. Next \$30,000,000 to innovation loan fund to support technology advancement
7. Next \$8,000,000 to the housing incentive fund
8. Next \$10,000,000 to state parks for infrastructure upgrades
9. Next \$5,000,000 to the environmental quality restoration fund
10. Next \$10,000,000 to the state parks gift fund
11. Next \$10,000,000 to North Dakota university system for the challenge grant program
12. Any remaining amounts to the general fund

Section 5 – Transfer of bonding proceeds to state agencies – This section provides authority for OMB to transfer \$130.5 million of bonding proceeds to various state agencies for maintenance and repair projects identified in the 2019-2020 facilities assessment.

Section 6 – Authority to allocate funding appropriated for state internship program – This section provides authority for the Office of Management and Budget to transfer funds from the state internship line to any state agency participating in the state student internship program.

Section 7 – Turnback exemption for Fiscal Management Division – This section continues authority that has been provided by previous Legislative Assemblies for any unspent funds in the Fiscal Management division to be carried forward for use in the development and operation of state financial systems.

Section 8 – Turnback exemption for 2019-21 appropriations for the comprehensive real estate study and the state internship program – This section would allow unspent funds to be carried forward to the 2021-23 biennium to continue these initiatives. It is estimated that approximately \$250,000 will be unspent from the real estate study and \$160,000 will be unspent from the state internship program.

Section 9 – Intent for grants and other items – This section, which has been included in the OMB bill in the past, provides direction for certain grants and other items included in Section 1 of the bill. Amounts that should be included in this section are:

- State memberships \$642,089
- Unemployment insurance \$1,800,000
- Capital Grounds Planning Commission \$25,000

Section 10 – State employee compensation adjustment guidelines – This section provides direction for distribution of state employee salary increases. Funding adjustments for all state agencies and institutions are recommended to average 2% each year of the 2021-23 biennium. Compensation increases are to be distributed based on performance. Additional increases can be provided to address salary compression or to enhance merit-based increases, if funded within the agency’s current salary budget and offset by future salary savings.

Bonding Sections

Section 11 Amends the section of NDCC related to the Infrastructure Revolving Loan Fund.

- Adds “or useful life” to the maximum 30-year term for essential infrastructure projects
- Increases maximum loan term to 40 years, or useful life of the project, for water-related or bridge infrastructure
- Expands the definition of eligible infrastructure projects to match the definition in Operation Prairie Dog

- Subsection 7 provides the Department of Transportation authority to approve county road and bridge projects
- Subsection 8 adds provides the State Water Commission authority to review and approve water-related infrastructure projects
- Subsection 9 authorizes ND Public Finance Authority to issue up to \$700 million of bonds for infrastructure revolving loan funds:
 - \$450 million for flood control, water supply and water management loans
 - \$200 million for infrastructure project loans
 - \$50 million for loans to construct and renovate county bridges

Section 12 Amends the lending and borrower powers of the ND Public Finance Authority (PFA). This will allow the PFA to grant or transfer money to the Bank of North Dakota for making loans for infrastructure projects, per to NDCC 6-09-49. This section also adds language to allow the PFA to make debt service payments from the sinking fund established in Section 17.

Section 13 Amends the reserve fund language for the PFA, to allow the industrial commission to determine if the reserve fund will be required for bonds issued under Section 32.

Section 14 Creates a new section of NDCC directing PFA to make bond debt service requirements from the sinking fund, established in Section 17, or from other funds appropriated by the legislative assembly.

Sections 15, 16, 28 and 29 Amend NDCC to allow counties to utilize tax levies for repayment of loans, from the Infrastructure Revolving Loan Fund, for a maximum term of 30 years.

Sections 31, 34, and 38 Transfers the State Water Commission Revolving Loan Fund (Section 61-02-78) and the Community Water Revolving Loan Fund (Chapter 6-09.5) to the Infrastructure Revolving Loan Fund (6-09-49). Repeals the sections of code related to the State Water Commission Revolving Loan Fund and Community Water Revolving Loan Fund and provides an effective date of July 1, 2022.

Section 32 Authorizes the PFA to issue up to \$1.25 billion of evidences of

indebtedness during the bienniums beginning July 1, 2021 and ending June 30, 2025, and establishes a 30-year maximum term.

Section 33 Directs the PFA to transfer the bond proceeds, per the dollar amounts specified in the Bill.

Section 36 Repeals NDCC Chapter 6-09.5, relating to community water facility loans and section 61-02-78, relating to the current infrastructure revolving loan fund.

Section 17 – Legacy Fund earnings allocations – June 30, 2023 and future bienniums – This section proposes five new funds to be used for the deposit of future Legacy Fund earnings:

- Economic diversification and strategic initiatives fund – *20% of Legacy earnings* - Moneys in the fund may be appropriated for programs and initiatives that support economic diversification, community development and strategic initiatives, expand and develop new businesses and industries, and build healthy and vibrant communities.
- Research and innovation fund – *10% of Legacy earnings* - Moneys in the fund may be appropriated for programs and initiatives that support research and innovation in higher education and the private sector, support the commercialization of products, and advance new technology to support industries in North Dakota.
- Government transformation fund – *10% of Legacy earnings* - Moneys in the fund may be appropriated for programs and initiatives that transform the delivery of government services, make government more effective and efficient, and reduce ongoing expenses for state government.
- Legacy projects fund – *20% of Legacy earnings* - Moneys in the fund may be appropriated for projects that have a positive impact on current and future generations of North Dakotan's; have a positive impact on the state, region, or nation; leverage other financial resources and have a positive return on investment; do not add ongoing operational costs for state government; build and strengthen communities; diversify the North Dakota economy.
- Legacy bond sinking fund – *40% of Legacy earnings* - Moneys in the fund are appropriated as a continuing appropriation to the Public Finance Authority for the payment of debt service on any evidences of indebtedness payable from the legacy bond sinking fund.

Section 18 – State contingency borrowing authority – This section proposes a statutory change related to the state contingency borrowing authority in Section 19.

Section 19 – Emergency Commission borrowing authority – This section proposes authority for the Emergency Commission to authorize OMB to borrow up to \$5 million from the Bank of North Dakota, as a line of credit to respond to state contingencies. The current and past appropriations of \$500,000 to \$700,000 are rarely used in their entirety but would be inadequate to respond to a significant event. Any funds borrowed under this proposed authority would be repaid with a deficiency appropriation requested from the subsequent Legislative Assembly.

Section 20 – Creation of new rent model for capitol complex – This section amends NDCC Section 54-21-19 to remove the provision that only non-general fund agencies pay rent for space in the capitol complex. This statutory change will allow all agencies, regardless of the source of their funding, to pay their fair share of rent for space they occupy in capitol complex buildings. All agencies will be equally incentivized to efficiently manage their space utilization. The result will be long-term savings to the state and the best use of existing space.

Section 21 – Shared services fund – This section creates a new state fund, called the Shared Services Fund. Creation of this fund would facilitate sharing between state agencies and has the potential to create long-term savings for the state. Without the creation of this fund, agencies have no incentive to create efficiency through shared service agreements. For example, if two agencies are collocated and could find cost savings through sharing costs for a copier, this fund could create a needed incentive to encourage purchase of one shared copier. Without this fund, if Agency A purchases the copier and Agency B wants to share the costs, any payments made to Agency A typically must be deposited into the general fund and the agency receives no benefit and is unable to offset any costs. Creation of this fund would allow Agency A to accept payments from Agency B, deposit those moneys in the Shared Services Fund, then use those moneys to offset costs associated with the copier.

Section 22 – Budget Stabilization Fund maximum balance – This section would reduce the maximum balance of the budget stabilization fund from 15% of general fund appropriations to 10% of general fund appropriations. Prior to the

2017-19 biennium, the maximum balance was set at 9.5%. In order to access the balance of the fund, general fund allotments of 6% would be required. Consequently, with a 10% balance in the fund and the required allotments, a total shortfall of 16% could be managed. This change in the maximum balance will allow for a one-time transfer of \$244.5 million to the general fund during the 2021-23 biennium.

Section 23 – Creation of Facility Management Operating fund – This section establishes a new special fund: the facility management operating fund. The fund will be used to deposit rent collected from the state capitol complex. Facility management salaries will be paid from the fund, within the limits of legislative appropriations. The remaining balance will be transferred each biennium to the general fund.

Section 24 – Elimination of political subdivision information from state Transparency site - This section amends NDCC Section 54-44.1-18 to remove the requirement that OMB publish political subdivision budget information for those political subdivisions that choose to submit information to OMB. Only two counties submitted budget information for 2018; none for 2019. Most political subdivisions publish budget information on their own web sites, making this requirement unnecessary and duplicative.

Sections 25 and 26 – Recycled paper requirements for state procurements – These sections remove the requirement that OMB must request information on the recycled paper content for all bids for paper products and adds flexibility to the requirement that paper products purchased by the state include at least 25% recycled material. These amendments will simplify the administration of the procurement process, eliminate unnecessary reporting, and save time and effort on the part of the vendors and OMB team members.

Section 27 – Business process improvement borrowing – This section creates a new section to the NDCC modeled after existing language that allows borrowing for energy savings building improvements. This proposed language would allow agencies to borrow from BND to finance a business process improvement project, if NDIT certifies the savings from the project will pay for the project costs, plus interest, within at least six years. The repayments would come from existing appropriation levels; long-term savings would benefit the state in subsequent bienniums.

Section 30 – General fund share of oil and gas taxes – This section amends NDCC Section 57-51.1-07.5 increasing the general fund share of oil and gas taxes from \$400 million per biennium to \$500 million per biennium, increasing ongoing general fund revenues, and helping balance ongoing revenues and spending.

Section 35 – HR positions transfer from NDIT to OMB – This section allows the transfer of 2 FTE and related funding from NDIT to OMB for the unification of HR services within the HRMS division of OMB.

Section 37 – Repeal of SECC and State Personnel Board– This section repeals:

- NDCC Section 54-06-25 relating to the State Employee Compensation Commission (SECC). The SECC consists of the OMB director as the governor’s designee, four legislators, and four state employees. The purpose of the commission is to make recommendations on appropriate salary and benefits for state team members. Although the purpose is admirable, the recommendations of the commission carry little weight in the executive budget or legislative budget process.
- NDCC Section 54-44.3-03 relating to the State Personnel Board. The Office of Administrative Hearings (OAH) now performs most of the functions originally performed by the State Personnel Board, including hearing all grievances relating to state agency employer actions. Currently, the two functions of the State Personnel Board are to approve changes to the state salary ranges and to hear appeals of reclassification requests. In the past two years the Board has only heard two appeals. There is currently a multiple step process to review reclassification requests prior to going to the Board. These appeals are handled by an internal committee of Human Resource professionals who have received training regarding the classification system.