

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 \$625,064
- 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 Dakotans; 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 \$1 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.