

TESTIMONY OF

Joe Morrissette, Director of OMB

Chairman Monson and members of the Government Operations Division of House Appropriations. I am Joe Morrissette, the Director of the Office of Management and Budget (OMB).

My budget testimony consists of the attached slide deck which summarizes:

- OMB organizational chart
- Filled and vacant positions
- Requested changes to our base budget for the 2023-25 biennium
 - Also included among the slide handouts are the following documents:
 - State facility project improvement needs
 - Total rewards recommendations for Team ND
 - OMB workforce story
- Descriptions of the various sections included in the executive bill draft for SB 2015 and notations of what was included in the Senate version.

I look forward to continuing to work 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 jmorrissette@nd.gov, my office number at 701-328-4606, or my cell phone at 701-220-6361.

ENGROSSED SB 2015 HOUSE APPROPS – GO

Joe Morrisette, Director
March 7, 2023

OUR MISSION

To provide innovative leadership and support to state government.

OUR VISION

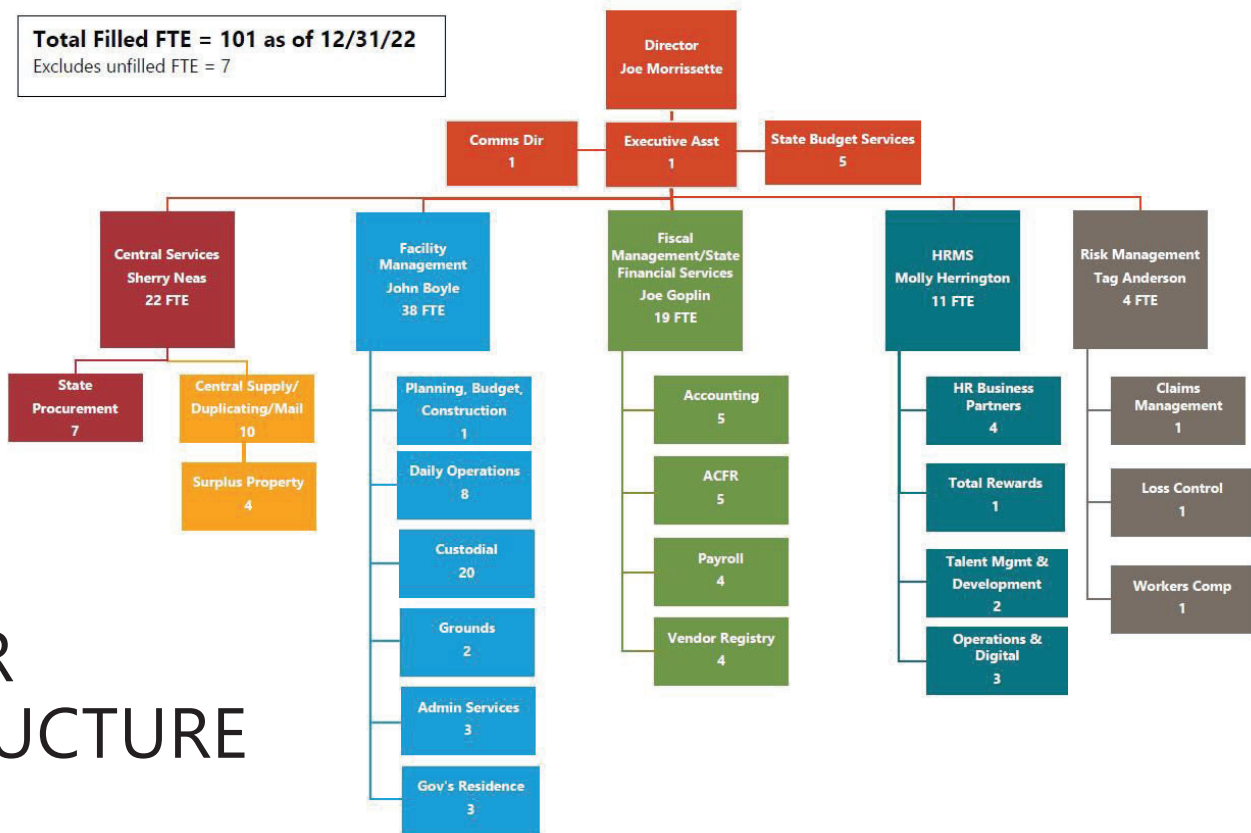
To set the standard for leadership and expertise in state government.

OUR STRUCTURE

Five Divisions

- Central Services
- Facility Management
- Fiscal Management
- Human Resource Management Services (HRMS)
- Risk Management

Total Filled FTE = 101 as of 12/31/22
Excludes unfilled FTE = 7



OUR STRUCTURE

SEVEN VACANT POSITIONS



Administration

- 1 Director



Central Services

- 1 Procurement Officer
- 1 Central Duplicating/
Supply



Facility Management

- 3 Custodians
- 1 Electrician



CENTRAL SERVICES DIVISION

Who We Serve

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

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 central printing and mailing services, creating efficiency in labor, equipment and space.
- Operate a central mail room for the Capitol.
- Distribute state and federal surplus property to eligible entities and manage state government e-waste.



FACILITY MANAGEMENT DIVISION

Who We Serve

- State agencies
- The public
- The First Family
- Legislators
- Media



FACILITY MANAGEMENT DIVISION

What We Do

- Maintain the state Capitol complex.
- Review and sign 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 Capitol Grounds Planning Commission.
- Manage construction projects, major improvements and repairs within the Capitol complex.
- Plan for the future through the Capitol Grounds Master Plan.
- Assist state agencies with administrative process for public improvement projects, as requested.
- Provide services for the First Family at the Governor's residence.





FISCAL MANAGEMENT DIVISION

Who We Serve

- State agencies
- State team members
- The Governor
- The public
- Media
- Political subdivisions
- Legislators
- Vendors



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.
- Operate the online vendor registry system which allows online registration to pay vendors and provide IRS 1099 reporting.





HUMAN RESOURCE MANAGEMENT SERVICES

Who We Serve

- State agencies
- State agency HR leads
- State team members
- Career seekers
- Media

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 and compensation plan.
- Provide professional development and leadership training to state team members.
- Support agencies through the recruitment and hiring process.
- Maintain the state careers website.
- Support PeopleSoft Human Capital Management (HCM), Enterprise Learning Management (ELM) and job description system.



RISK MANAGEMENT DIVISION

Who We Serve

- State agencies and institutions
- State team members
- Citizens



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
- Administer the single joint account for all state entities in cooperation with WSI as part of a large deductible program.



2021-23 ACCOMPLISHMENTS



Efficiency through centralization

- ✓ Advanced the implementation of HR 2.0, creating a more effective and collaborative HR system.
- ✓ Collaborated with higher education to plan for the selection of a shared online procurement solution.
- ✓ State Surplus transferred to state and local government approximately \$10M of federal property.
- ✓ State Surplus Law Enforcement Support Office (LESO) program facilitated the transfer and use of \$16M in property by 63 ND law enforcement entities.
- ✓ Print-Mail for NDDOT transitioned to Central Duplicating.
- ✓ Continued central management of state and political subdivision purchasing card program, generating a rebate of over \$3M for CY 2021.



Efficiency through innovation and new technology

- ✓ Completed implementation of new state budget development and tracking system.
- ✓ PeopleSoft implementations/milestones:
 - Update Team Member Information (UTMI), remote worker, electronic acknowledgements, statewide shared leave functionality, and automated notification and approval.
 - Recruiting Solutions had 4,838 job postings and 45,260 employment applications were submitted.
 - Securely enabled Direct Deposit self-service.
- ✓ Implemented LinkedIn Recruiter to improve marketing of Team ND jobs.
- ✓ Completed phase 1 of Enterprise Procurement Automation Project.

2021-23 ACCOMPLISHMENTS



Team member communications and training

- ✓ Delivered diverse training opportunities to over 2,500 learners.
- ✓ Conducted third annual Gallup team member engagement survey.
- ✓ Launched an interagency mentorship program.
- ✓ Lead statewide change management initiative, training over 1,500 to date.
- ✓ Launched online/on-demand procurement training.
- ✓ Lead the ongoing development of universal employment policies (37 to date).
- ✓ Launched Team ND Connect, the statewide intranet available to all state team members.
- ✓ Launched new OMB website on the statewide platform.



Facilities upgrades and enhancements

- ✓ Completed the ADA improvements projects at the Capitol.
- ✓ Completed facilities management and facility optimization study.
- ✓ Implemented self-guided kiosks and virtual Capitol tour enhancements.



Efficient HR business operations

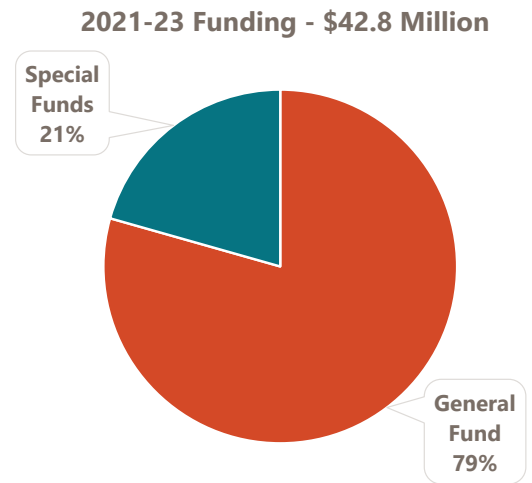
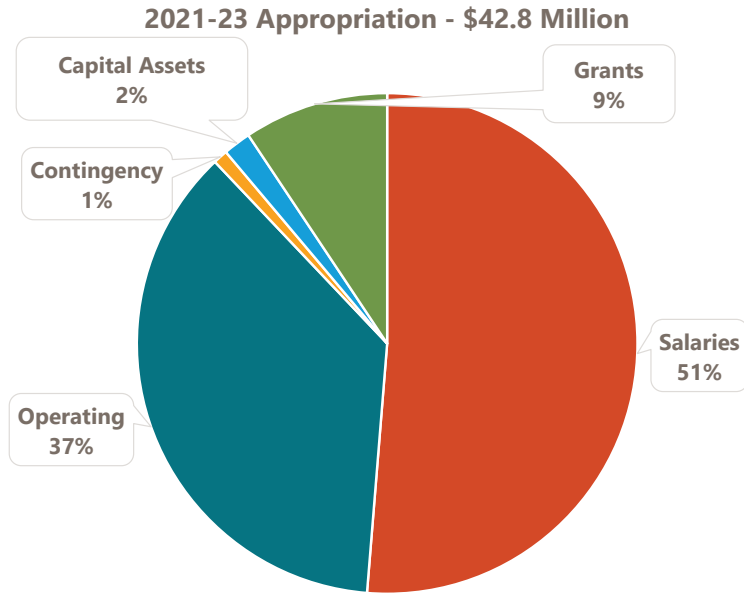
- ✓ Implemented a workforce planning strategy and template with 33 agencies.
- ✓ Implemented enhanced classification job family descriptions.
- ✓ Conducted a robust compensation study as a part of Team ND's total rewards work.



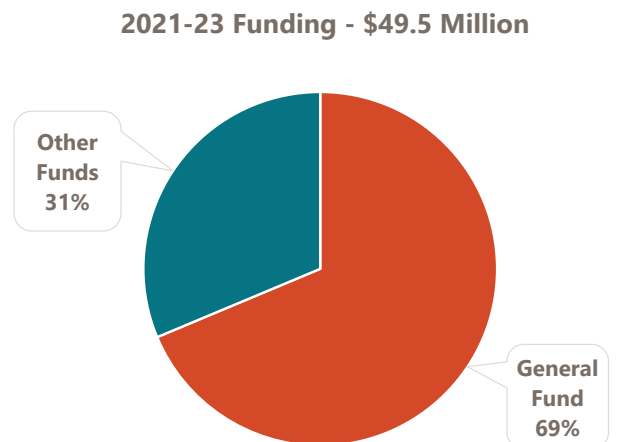
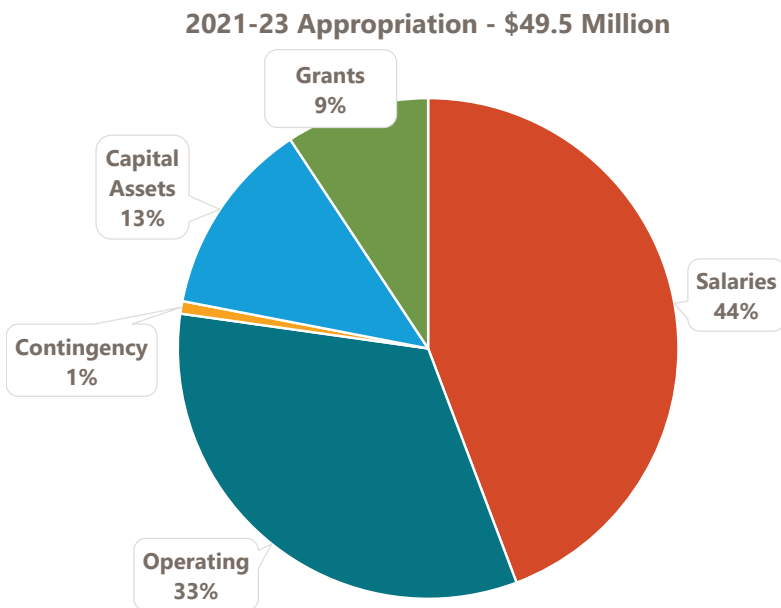
Federal fund distribution

- ✓ Managed the state's reporting requirements for the \$1.25 billion federal CRF and \$1 B ARPA funding with no additional staff.
- ✓ Managed the distribution of over \$50 million federal ARPA funding to cities and assisted them in meeting reporting obligations.

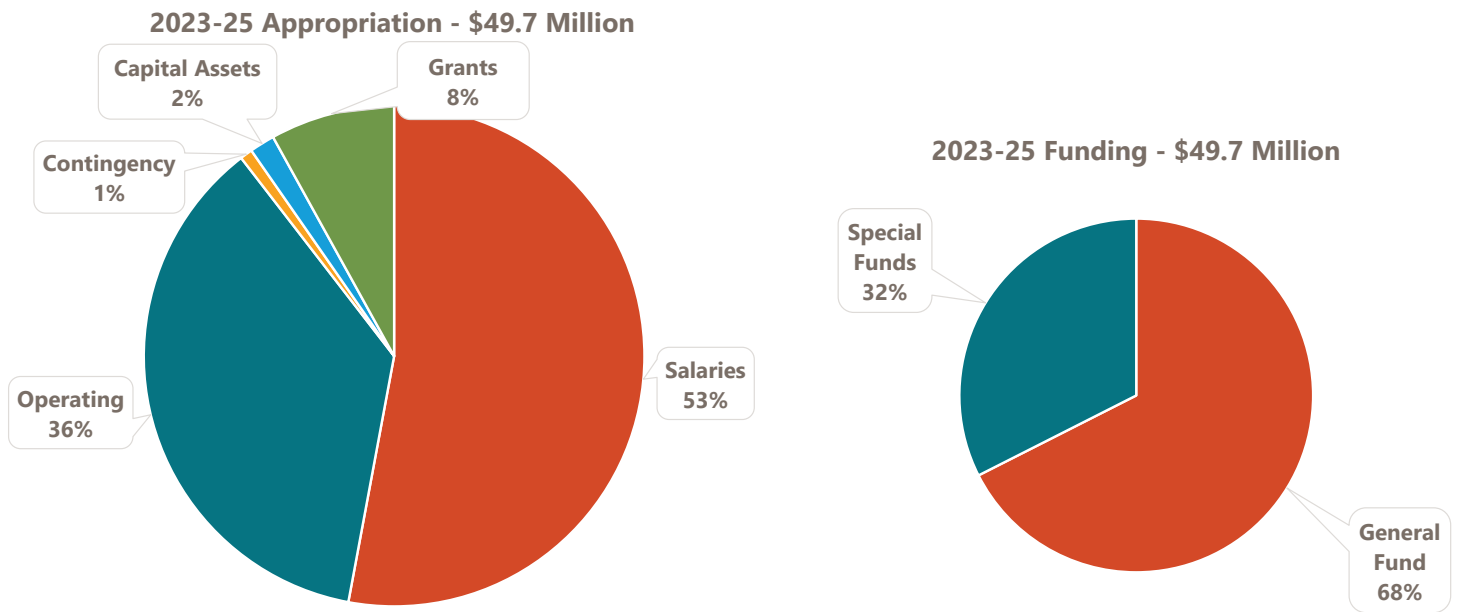
OMB LEGISLATIVE BASE BUDGET – 2021-23



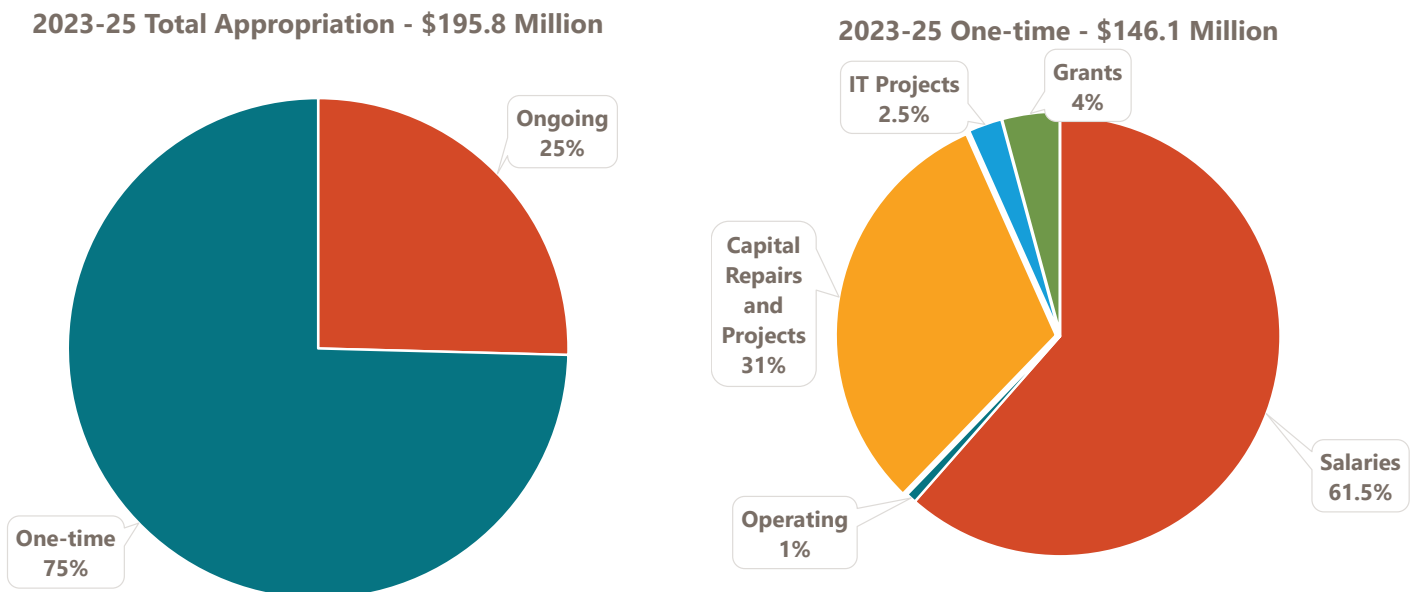
OMB TOTAL BUDGET – 2021-23 ONGOING AND ONE-TIME EXPENDITURES



OMB PROPOSED BUDGET – 2023-25 ONGOING EXPENDITURES



OMB PROPOSED BUDGET – 2023-25 ONGOING AND ONE-TIME EXPENDITURES



2023-25 GOALS AND OBJECTIVES



Improve facilities and utilization

- Improve utilization of Capitol through space reconfiguration.
- Improve meeting room space through Brynhild Haugland Room remodel.
- Improve state facilities by addressing backlog of deferred maintenance.



Improve efficiency and enhance support

- Continue printing and mailing centralization.
- Continue payroll administration centralization.
- Continue HR services centralization and support.
- Continue procurement centralization and support.
- Provide shared communications services.
- Develop centralized lease management and construction management functions.
- Simplify contractual risk requirements.
- Simplify procurement processes.
- Continue to facilitate more consistent HR processes/practices.
- Expand workforce planning assistance to agencies.
- Develop talent management program.
- Develop Total Rewards Analysis Database.
- Improve measurement of total rewards value.
- Increase team member engagement through total rewards development and education.
- Optimize projects and adoption through Change Management application and support.

2023-25 GOALS AND OBJECTIVES



Improve efficiency through new technology

- Implement Procurement Automation system.
- Implement PeopleSoft travel and expense module.
- Expand PeopleSoft Testing Framework—a tool that automates testing for upgrades/patches.
- Integrate Optical Character Recognition with PeopleSoft—scan invoices, digitally attach copy and automate the coding of invoices.
- Centralize leave management of federal FMLA to allow for efficiency and alignment across agencies.
- Implement automated candidate texting to better communicate with career seekers.
- Implement automated processes to streamline job candidate entry of work, education, and other info.
- Develop additional manager self-service features in PeopleSoft.
- Implement PeopleSoft Enterprise eCompensation.



Improve team member communications and training

- Continue to develop and deliver OMB Agency Essentials training.
- Continue to develop and deliver Leadership Everywhere training.
- Implement Oracle Guided Learning—learning/help tool embedded seamlessly within PeopleSoft.
- Develop and deploy an advanced, multi-level manager development program.
- Continue to deliver Change Management training for team members to design and implement sustainable change.



BUDGET CHANGES

IT SYSTEM UPGRADES AND REPLACEMENTS

\$3.3M Request

Procurement automation system

Phase two - 2023-25 - \$2.5M..... **In Senate Version**

- \$1.5M implementation and integration with PeopleSoft
- \$1M ongoing maintenance and updates
- Phase one - 2021-23 appropriation of \$1.9M will be partially used during the current biennium, with balance carried over to 2023-25

Building automation system

Phase two – 2023-25 biennium – \$800,000..... **In Senate Version**

- Phase one – 2021-23 biennium - \$518,800
- Total project cost of \$1.3M



BUDGET CHANGES

STATEWIDE DEFERRED MAINTENANCE

\$17.05M Request

Accessibility Assessment and Improvements of State Buildings (Capitol complex and other Bismarck locations)

\$100,000..... **In Senate Version**

Brynhild Haugland Room Improvements

\$500,000..... **In Senate Version**

Capitol Boiler Replacement Project

\$12M..... **In Senate Version Deferred Maintenance**

Capitol & Legislative Wing Window Replacement

\$4M..... **In Senate Version**

State Office Building Demo & Site Reclamation

\$451,000..... **In Senate Version**

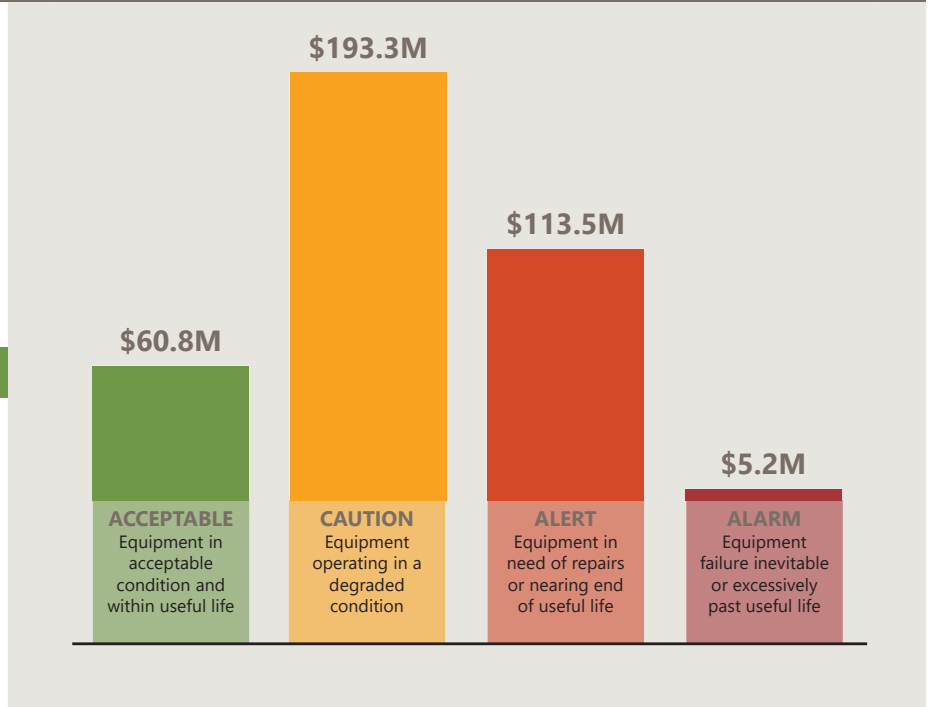


BUDGET CHANGES

CAPITOL EXTRAORDINARY REPAIRS

Deferred maintenance pool of funds to be transferred to state agencies on a prioritized basis

\$20M..... **In Senate Version**



BUDGET CHANGES

SPACE UTILIZATION OPTIMIZATION

Create an efficient workplace environment in the Capitol and Judicial Wing

\$5.5M..... **In Senate Version**

- Remodeling costs to better utilize existing space and result in savings through the elimination of leased space. Other results could include:
 - Elimination of underutilized agency conference rooms (over 6,000 sf or one entire Capitol tower floor)
 - Creation of one "hoteling" work location for all state agencies to use
 - Increase in the average occupancy per Capitol tower floor from 30 to 45 employees

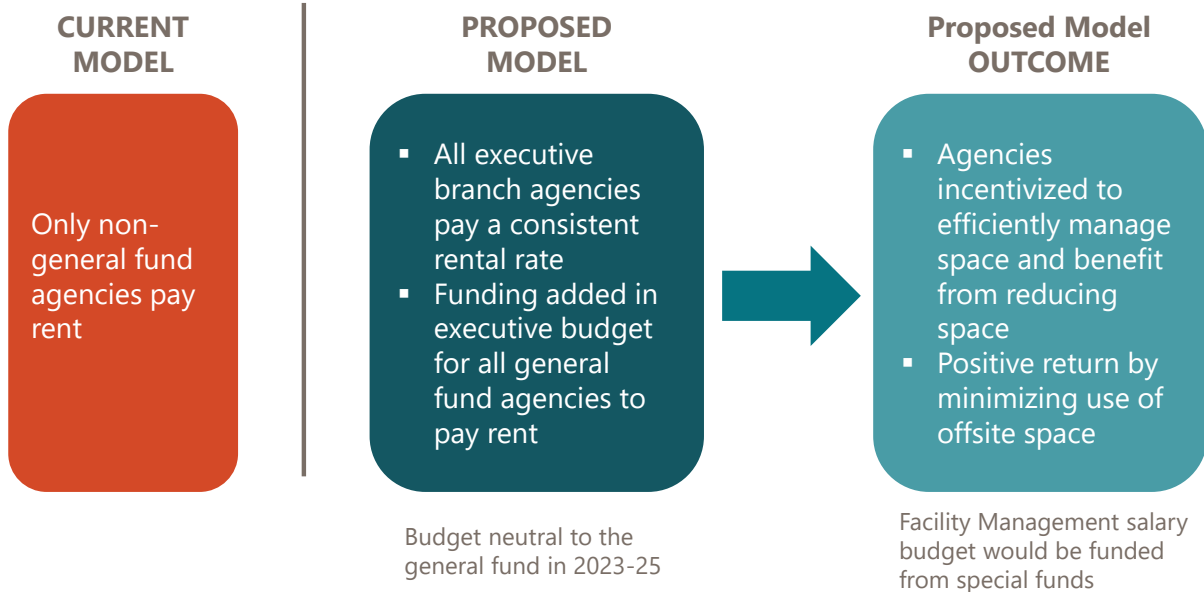
Authority for creation of space standard policies by Capitol Grounds Planning Commission

..... **NOT In Senate Version**



BUDGET CHANGES

RENT MODEL CHANGE (INCLUDED IN SENATE VERSION)



BUDGET CHANGES

FACILITY MANAGEMENT FUNDING SOURCE CHANGE

In Senate Version

- Rent model change results in additional rent collection
- Rent deposited in special fund rather than general fund
- Facility Management (FM) salaries funded from special fund rather than general fund
- Provides opportunity to fund FM from facility rent payments and move toward self-funded facility services model

▪ 2021-23 biennium rent deposited in general fund	\$2.55M
▪ 2023-25 biennium:	
▪ Total rent collected	\$4.18M
▪ Amount used to fund FM salaries (minus admin)	\$4.10M



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - FACILITIES

- Centralized management of leases and construction projects will lead to efficiency and cost savings
- 2 FTE - OMB has two vacant Facility Management positions that can be repurposed for this use

Total additional salaries and benefits requested = \$396,888

In Senate Version

.....
▪ **Statewide Lease Coordinator**

- Will manage all state agency leases, help determine appropriate space utilization, negotiate lease rates, facilitate sharing of space and service contracts.
- Will require administrative rule change; no statutory change required.

▪ **Statewide Construction Project Manager**

- Will manage the solicitation of architects and engineers for construction and remodeling projects, manage the bidding and procurement process, and manage projects or supervise contract project managers, as necessary.
- No statutory change required



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - COMMUNICATIONS

- Centralized communications support for smaller agencies with no communications professional on staff
- 2 FTE

Total additional salaries and benefits requested = \$350,722

NOT In Senate Version

.....
▪ **Multimedia Specialist**

- Will manage graphic design, video, photography, social media, website updates, newsletter and promotional materials for OMB and partner agencies.

▪ **Communications Specialist**

- Will assist with media inquiries, development of communications campaigns, event planning, project management and writing to include news releases for partner agencies.



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - FISCAL

- OMB’s PeopleSoft experts and accounting professionals support and train state agency fiscal team members in utilizing the state PeopleSoft system’s various modules for accounting, payroll, reporting and other fiscal operations

▪ 2 FTE

Total additional salaries and benefits requested = \$381,724

1 FTE and \$190,862 in Senate Version

▪ **Financial Services - Agency Support**

- As additional PeopleSoft functionality is deployed, such as automated Travel & Expense reimbursement and the Procurement Automation system, additional resources are needed to support state team members.
- Provide support for all state agency fiscal team members in financial reporting and using existing PeopleSoft modules of Accounts Payable, Accounts Receivables, General Ledger, Asset Management, Procurement, Inventory, Supplier Lifecycle and Lease Administration.
- Allows us to better serve agencies and reduce growing backlog of PeopleSoft support items.



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

▪ 5 FTE

Total additional salaries and benefits requested = \$1.163M

2 FTE and \$473,924 in Senate Version

▪ **Recruiting Manager**

(Talent Acquisition Manager)

In Senate Version

- Plan, develop, and implement statewide recruiting strategy and systems.

▪ **Compensation & Benefits Specialist**

(Total Rewards Specialist)

In Senate Version

- Assist with development and administration of strategies and programs that serve to align compensation, benefits, and rewards to attract, motivate, engage, and retain team members.

▪ **Learning & Development Manager**

NOT In Senate Version

- Develop and implement statewide learning and development strategy and training programs, to include talent management/succession program development.

▪ **Recruiting Associate**

(Talent Acquisition Associate)

NOT In Senate Version

- Provide high level execution and leadership in innovative statewide recruiting efforts.

▪ **Change Management Program Manager**

NOT In Senate Version

- Responsible for delivering statewide Change Management training and services.



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

Student Internship Program

\$700,000..... **In Senate Version**

- 2023-25 is expected to have over 100 interns requested, more if funding is available (more than double 2021-23)
- More than 25% of interns transitioned to full-time employment

Leave Management System

\$335,000..... **In Senate Version**

- Full-service leave management vendor
- Consistent application and statewide data
- Compliance with state and federal laws
- Medical experts to interpret medical documentation

LinkedIn Recruiter

\$95,000..... **In Senate Version**

- Engage with professionals that have the education and experience that align with talent needs
- Aid in expanding our candidate pools and resulting in attracting top talent to Team ND



BUDGET CHANGES

TOTAL REWARDS PACKAGE



TARGETED EQUITY PACKAGE

EQUITY

one-time – prior to July 1, 2023

Cost: \$90M Total Funds
(\$49.3M = General Funds)

\$75M in Senate Version



GENERAL PERFORMANCE INCREASE

6% / 4%

FY2024 / FY2025

Cost: \$210.86M Total Funds
(\$87.7M = General Funds)

4% / 4% in Senate Version



TARGETED EQUITY PACKAGE

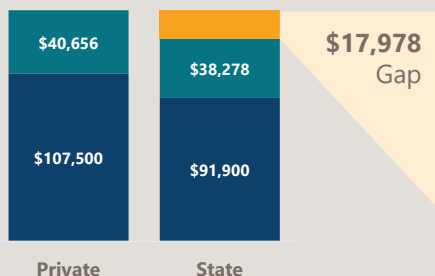
Addresses:

- Verifiable, significant market gaps for job categories
- Staffing issues with impact on services and operations
- Relatively low paid employees and agencies

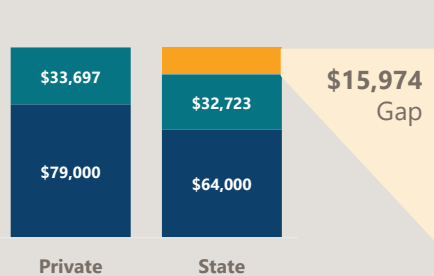
■ Benefits
■ Salary



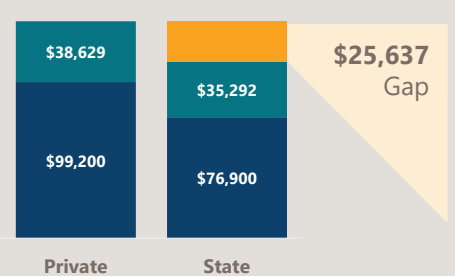
ATTORNEY II



ENGINEER II



INFORMATION SERVICES IV





GENERAL PERFORMANCE INCREASE

6% 2023 / 4% 2024

Addresses:

- Positions below market
- Compression concerns
- Performance differentiation relative to recent programs
- Industry increases



SALARY INCREASE COMPARISON

Year	North Dakota State Employee Increase	National Market Increase	Gap	North Dakota Market Increase	Gap
2017	0%	3.0%	3.0%	2.9%	2.9%
2018	0%	3.1%	3.1%	2.9%	2.9%
2019	2% <small>With \$120 minimum</small>	3.2%	1.2%	3.2%	1.2%
2020	2.5%	2.9%	0.4%	2.8%	0.3%
2021	1.5% <small>With \$100 minimum</small>	2.9%	1.4%	2.7%	1.2%
2022	2.0%	4.1%	2.1%	4.1%	2.1%

Source: World at Work Salary Budget Survey Averages

\$2.93M Increase

LINE-ITEM CHANGES ENGROSSED BILL - SALARIES



- **\$151,408** cost to continue current salaries
- **\$665,000** for 3 new FTE's
 - Financial Services - Agency Services and Support \$190,862
 - Statewide Recruiting Manager \$255,452
 - Compensation & benefits specialist \$218,472
- **\$396,888** to repurpose two currently vacant FTE to add lease administrator position and a public improvement manager
- **\$1.6M** for the legislative compensation package including health insurance increases
- **\$100,369** one-time funding for retirement leave payouts

Funding source change of \$4.1M (increased special funds, decreased general fund) for Facility Management as part of the proposed rent model change

\$3.60M Increase

LINE-ITEM CHANGES OPERATING



- **\$2.56M** for ongoing expenses, including:
 - Various increases totaling \$1,938,774:
 - \$200,000 for utilities
 - \$1,000,000 in IT contractual services for new e-procurement system
 - \$500,000 for printing (special fund authority for Central Duplicating)
 - \$238,774 for supplies, professional development, IT costs, membership dues and travel
 - Increase of \$389,914 for change in the rent model (portion OMB will be charged)
- **\$1.1M** for one-time expenses, including:
 - \$358,500 for inflationary increases
 - \$100,000 for an ADA study and improvements
 - \$100,000 for Capitol tour enhancements
 - \$335,000 for a leave management system

\$14.77M Increase

LINE-ITEM CHANGES CAPITAL ASSETS



- **\$15.5M** for the following:
 - \$5.5M for reconfiguring space in the Capitol building and Judicial wing
 - \$600,000 for miscellaneous mechanical and electrical repairs
 - \$451,000 for the demolition of the State Office Building
 - \$4.8M for projects in the Capitol complex funded from the Capitol Building Fund, including window replacement in the tower and legislative wing, Brynhild Haugland remodel, and security and landscaping items at the Governor's residence
 - \$2.5M for a new eProcurement system
 - \$800,000 for building automation upgrade project
 - \$150,000 for automatic door openers for legislative committee rooms

LINE-ITEM CHANGES GRANTS AND OTHER LINES



- **Equity** – \$75.0M for equity package (*executive recommendation of \$90M*)
- **Guardianship Grants** – Guardianship grants are increased to \$6.1M (*continued at the current level of \$2.45M in the executive budget*).
- **Community Service Grants** – Grants to community service programs are continued at the current level of \$350,000.
- **Prairie Public Broadcasting** – The operating support grant to Prairie Public Broadcasting is continued at the current level of \$1.2M, along with one-time funding of \$1.79M for projects.
- **State Student Internship** – The executive recommendation and Senate version includes one-time funding of \$700,000 from the general fund to continue and expand the state internship program. The current biennium budget includes a one-time appropriation of \$100,000 plus \$100,000 in carryover funding for the program.
- **Deferred Maintenance Funding** – \$20.0M for statewide critical maintenance and repair projects based on facility needs assessment (*the Senate version proposes that \$12.0M for new boilers in the Capitol come from this pool; the executive recommendation included this as a separate appropriation*)

OTHER SECTIONS IN ENGROSSED BILL

- **Section 3** – Appropriation of any moneys in the community service supervision fund to be distributed to community corrections association regions
- **Section 4** – Transfer of \$200M from Tax Relief Fund to Social Services Financing Fund
- **Section 5** – Authority to allocate \$700,000 to agencies for state internship cost-sharing program
- **Section 6** – Authority to allocate \$20M funding for deferred maintenance to agencies based on facility condition assessment

OTHER SECTIONS IN ENGROSSED BILL

- **Section 7** – Summarizes the \$4.8 M appropriation in section 1 of the bill from the Capitol Building Fund
- **Section 8** – Intent for grants and specific items appropriated in section 1 for statewide dues and memberships, state unemployment insurance, and expenses of the Capitol Grounds Planning Commission
- **Section 9** – Authority to allocate \$75M proposed state equity pool funding to agencies to address targeted market equity issues

OTHER SECTIONS IN ENGROSSED BILL

- **Section 10** – State employee compensation adjustment guidelines providing 4% adjustments each year
- **Section 11** – Increases from \$250,000 to \$750,000 the amount of spending authority available from the Capitol Building Fund for expenditures on the Capitol grounds, as determined by the Capitol Grounds Planning Commission
- **Section 12** - New Capitol rent model allows all executive branch agencies to be charged the same rent per square foot regardless of agency funding source

- **Section 13** – Establishment of Facility Management (FM) Operating Fund to receive rent payments to be used to fund FM salary costs within the limits of legislative appropriation; balance transferred to GF
- **Section 14** – Transfer of 50% of motor vehicle tax to Highway Fund to provide ongoing revenue stream to offset declining gas tax revenues. (*Executive budget proposal was 25% of the general fund share the first year and 50% thereafter.*)
- **Section 15** – Turnback exemption for Fiscal Management Division for support of PeopleSoft and other statewide financial and administrative systems

OTHER SECTIONS IN ENGROSSED BILL

- **Section 16** – Authority to carryover unspent special fund appropriations for state facility assessments. Approximately \$250,000 may be available to update facility condition assessments during the 2023-25 biennium.
- **Section 17** – Effective date for allocation of a portion of motor vehicle excise taxes to the general fund
- **Section 18** – Emergency clause to allow distribution of salary equity funding prior to June 30, 2023

SECTIONS REQUESTED TO BE ADDED

- Budget stabilization fund maximum balance redefined to exclude general fund one-time expenditures and K-12 formula payments already covered by the Foundation Aid Stabilization Fund
- Space utilization and allocation policies development authority delegated to Capitol Grounds Planning Commission
- Assign duties for conducting space utilization studies, developing space utilization standards, and assigning Capitol building space to the Capitol Grounds Planning Commission

PASS-THROUGH GRANTS

- The OMB budget includes pass-through grants for guardianship programs and to support Prairie Public Broadcasting
- Supporters of these programs are available to provide testimony
- **Guardianship Grants - \$6,100,000 proposed appropriation** *(increased by the Senate from the \$2.45M included in the executive budget)*
 - Aaron Birst, Executive Director, North Dakota Association of Counties
- **Prairie Public Broadcasting - \$2,992,450 proposed appropriation**
 - John Harris, President and CEO, Prairie Public Broadcasting

STATE FACILITY PROJECT IMPROVEMENT NEEDS

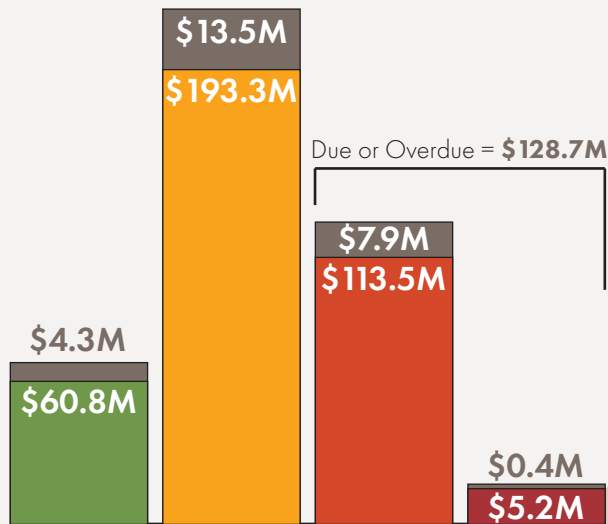
2022 Scope Summary

State-owned building square footage totals over **24 million square feet**, with an insured value of **\$4.4 billion**.

Over **120 state-owned buildings**, occupied by **17 agencies** and comprising **3.7 million square feet** were assessed.

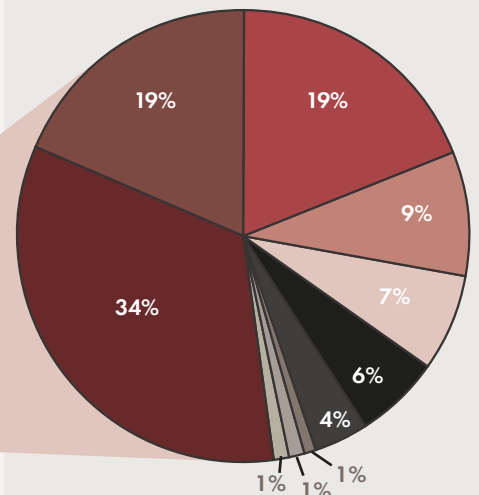
More than **1,350 facility improvement and repair projects** were identified.

IDENTIFIED NEEDS SUMMARY



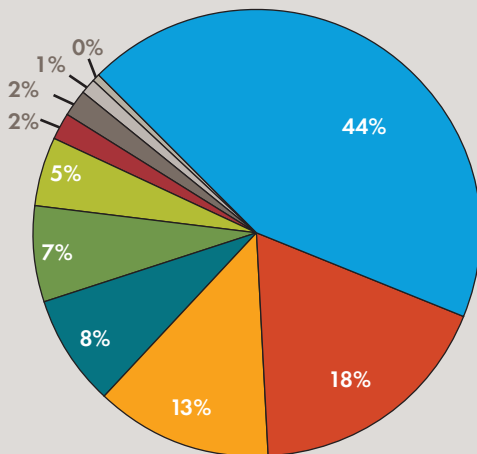
BIENNIAL COST INFLATER	ACCEPTABLE	CAUTION	ALERT	ALARM
Additional cost incurred if projects are delayed two years	Equipment in acceptable condition and within useful life	Equipment operating in a degraded condition	Equipment in need of repairs or nearing end of useful life	Equipment failure inevitable or excessively past useful life

IMMEDIATE PRIORITY "ALARM" NEEDS BY AGENCY = **\$15.2M**



- Historical Society
- Corrections & Rehabilitation
- Adjutant General
- Office of Management & Budget
- Veteran's Home
- Health & Human Services
- Game & Fish
- Transportation
- Attorney General
- Highway Patrol

NEEDS CATEGORIES



- Mechanical (Heating/Cooling)
- Ventilation (Indoor Air Quality)
- Controls (Building Environmental System)
- Exterior (Roofs, Windows, Doors)
- Lighting (convert to LED Technology)
- Electrical Distribution (Electric Service)
- Life Safety (Fire Alarm/Sprinkler)
- Interior Surfaces (Flooring/Finishes)
- Building Envelope (Exterior Walls Sealing)
- ACM (Asbestos Containing Materials)

STATE OF NORTH DAKOTA

TOTAL REWARDS RECOMMENDATIONS

Current Team ND Total Rewards Issues to be Addressed

- Salaries have fallen behind
- Uncertainty in benefit programs
- Increased competition
- Specific competitive pay issues
- Specific agency equity



Recommendations for the 2023/2025 biennium, based on team member survey, economic factors and compensation analysis.

COMPENSATION & EQUITY




TARGETED EQUITY PACKAGE

EQUITY

one-time increase

Addresses verifiable, significant market gaps for job categories, staffing issues with impact on services and operations, relatively low paid employees & agencies

Cost: \$89.7M Total Funds (\$49.3M = General Funds)

GENERAL PERFORMANCE INCREASE

6% / 4%

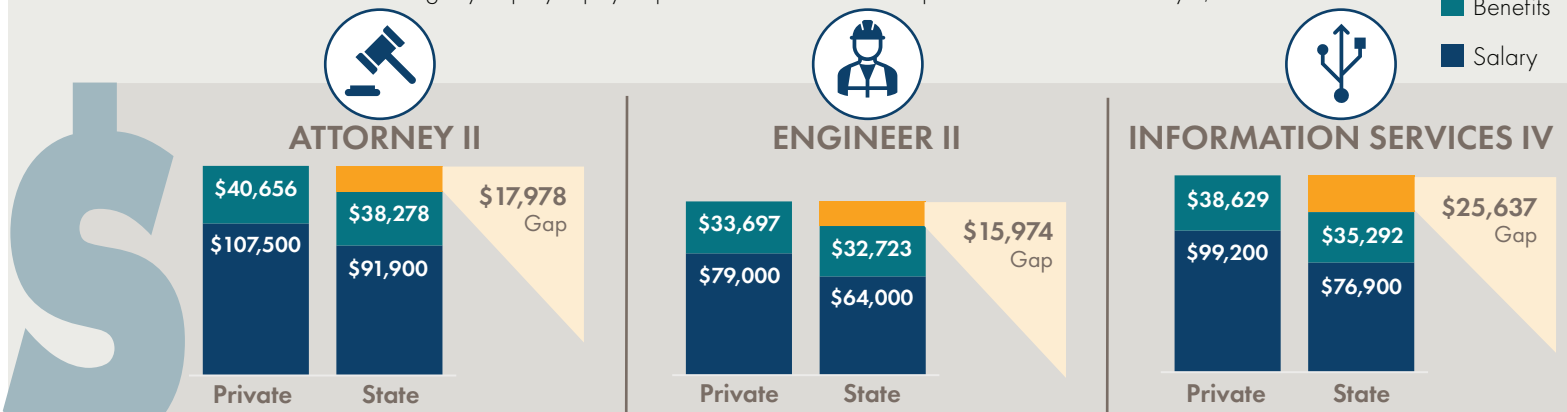
2023/2024

Addresses overall below market position, compression concerns, performance differentiation relative to recent programs, industry increases

Cost: \$210.9M Total Funds (\$87.7M = General Funds)

WHAT IS PAY EQUITY? WHY IS IT IMPORTANT?

Pay equity is compensating team members who have similar job responsibilities, skill and effort in a similar fashion that is fair and competitive in the market. Our internal salaries are not only out of line with the market price, we are also competing internally due to inconsistent pay distribution. We need to fix the starting point for our team members before annual adjustments –the emergency clause is needed so we have to have time to meaningfully deploy equity adjustments before annual adjustments are made on July 1, 2023.



With a 10% cap on proposed equity adjustments, there will still be a gap between private and state salaries in most cases. However, we believe the proposed equity package will go a long way toward recruiting and retaining top talent to Team ND.

STATE OF NORTH DAKOTA

TOTAL REWARDS RECOMMENDATION BASIS

Recommendations for the 2023/2025 biennium, based on team member survey, economic factors and compensation analysis.

TEAM MEMBER SURVEY



MOST IMPORTANT

- Health insurance
- Increased salary
- Retirement plan
- Paid time off



LEAST IMPORTANT

- Tuition reimbursement
- Payroll deductions for voluntary benefits
- Flexible Spending Account
- Service-based rewards



TOP CHANGES

- More competitive pay
- More opportunities for performance bonuses
- More time off

ECONOMIC FACTORS

UNEMPLOYMENT

2.3%

in ND Sept. 2022

U.S. Unemployment
3.5% in Sept. 2022

INFLATION RATE

6.8%

in ND Sept. 2022

U.S. Inflation Rate
8.2% in Sept. 2022

TURNOVER

13.7%

in 2021 = 14 year high

Through Sept. 2022
= **16.4%**

COMPENSATION ANALYSIS

- Below ND market by 3%
- Below national market by 8%
- Below ND counties and cities by 10%
- Estimated to trail the ND market by 7% by July 2023

Recent increases given by other states and cities are far above the 2% given to state of ND team members



NORTH DAKOTA STATE CAPITOL

OFFICE OF MANAGEMENT & BUDGET (OMB)

The OMB workforce is unique in that the primary mission is to support an state government– state agencies, team members and legislators. Since OMB provides leadership, guidance and support services for all state agencies, it is imperative that the workforce be skilled, efficient and experienced in their roles.

WHAT HAPPENS IF WE CAN'T DO OUR JOB...

Noncompliance



OMB provides guidance to all 60+ state agencies, in the areas of compliance with statute, administrative code, and policies in the areas of for fiscal and budget, HR, risk, facilities and procurement.

Inefficient Duplication



OMB's five divisions all perform centralized services and support that in their absence would be done separately by each agency, creating inefficient use of taxpayer dollars and unnecessary duplication in state government.

Inconsistent Government



OMB's services allow agencies to comparatively offer the same policies and experiences to job seekers, vendors, visitors, political subdivisions and the public.

CURRENT AGENCY TEAM MEMBER STATS

108

full-time team members

13%

turnover rate

\$64k

average annual salary

48

average age

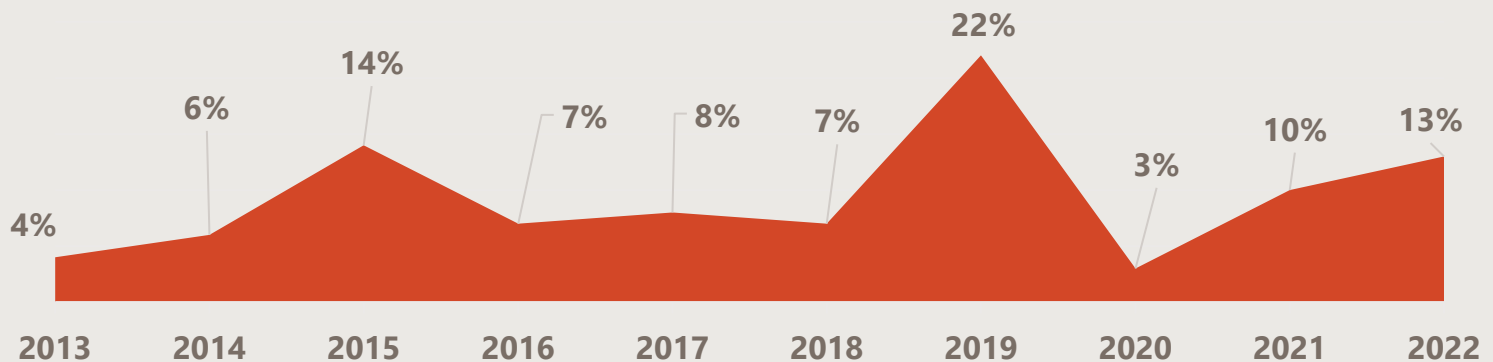
13

average years of service

10%

retirement-eligible

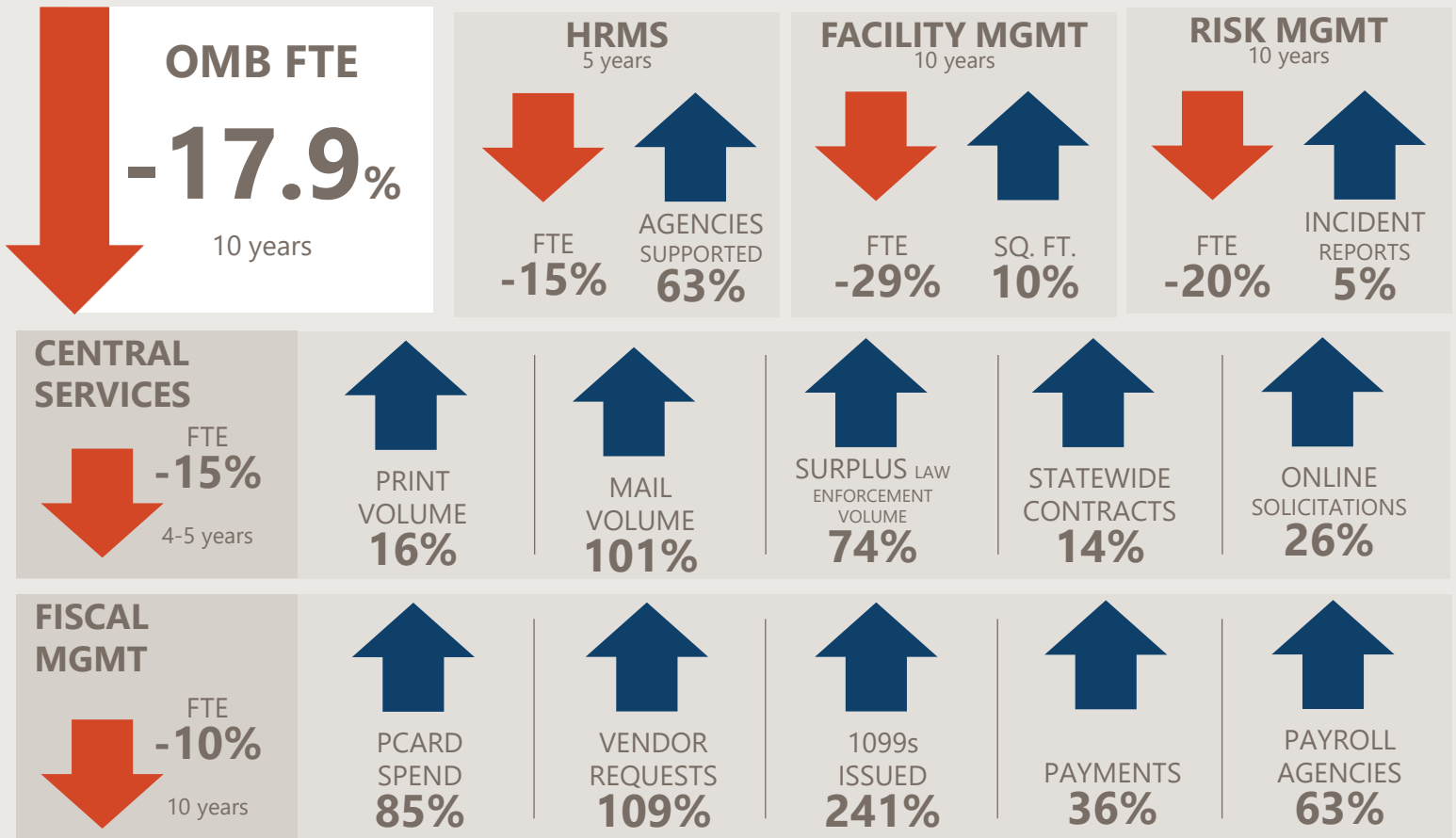
TURNOVER – LAST 10 YEARS



The 2015 and 2019 turnover rates were higher due to retirements and voluntary separations.

- In 2015, the pre-Medicare retiree medical was getting discontinued, unless individuals were already enrolled.
- The 2019 turnover rate is affected by the 2018 voluntary separation incentive program.

OMB WORKLOAD CHANGE



Date comparisons vary based on data available and is noted below each division.

COST OF TURNOVER

\$64.4K

per team member

Figured with 100% of annual salary.

100% of the annual salary is the cost of turnover for an average OMB team member.

That increases to 200% (\$200,000+) of the annual salary for a director-level position, due to the level of recruiting, time to train and/or upskill, and lost productivity of the vacant position

WORKFORCE COMPETITION



Other Government Entities

OMB continues to lose staff to other government entities, including city, state and federal agencies.



Private Industry

With high-demand positions at OMB such as accounting and HR, it is difficult to compete with private sector salaries.

INDUSTRY OUTLOOK: OMB has five very different divisions: Central Services, Facility Management, Fiscal Management, Human Resources Management Services, and Risk Management. The future of all divisions is automation of process and upskilling team members to meet the needs of state government agencies and team members. Recruiting and retaining team members in all industries that affect OMB is challenging in both the public and private sectors.