

TESTIMONY OF

Joe Morrisette, Director of OMB

Chairman Wanzek and members of the Government Operations Division of Senate Appropriations. I am Joe Morrisette, 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 requested to be incorporated into the Senate version of SB 2015

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 jmorrissette@nd.gov, my office number at 701-328-4606, or my cell phone at 701-220-6361.

SB 2015 TESTIMONY SENATE APPROPRIATIONS

Joe Morrisette, Director
Friday, January 20, 2023

OUR MISSION

To provide innovative leadership and support to state government.

OUR VISION

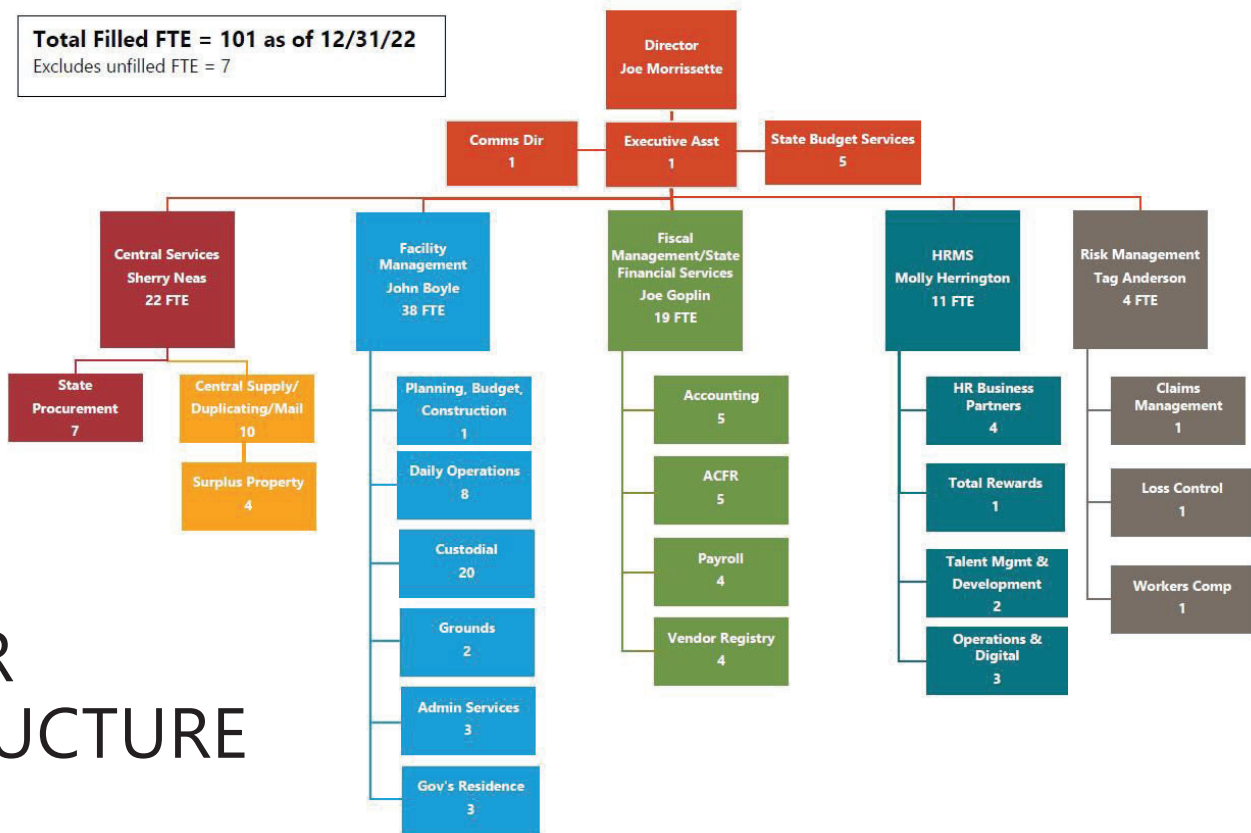
To set the standard for leadership and expertise in state government.

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

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BUDGET CHANGES

IT SYSTEM UPGRADES AND REPLACEMENTS

\$3.3M Request

Procurement automation system

Phase two - 2023-2025 - \$2.5M

- \$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

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

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BUDGET CHANGES

STATEWIDE DEFERRED MAINTENANCE

\$17.05M Request

Accessibility assessment and improvements of state buildings
(Capitol complex and other Bismarck locations)

\$100,000

Brynhild Haugland Room Improvements

\$500,000

Capitol Boiler Replacement Project

\$12M

Capitol & Legislative Wing Window Replacement

\$4M

State Office Building Demo & Site Reclamation

\$451,000

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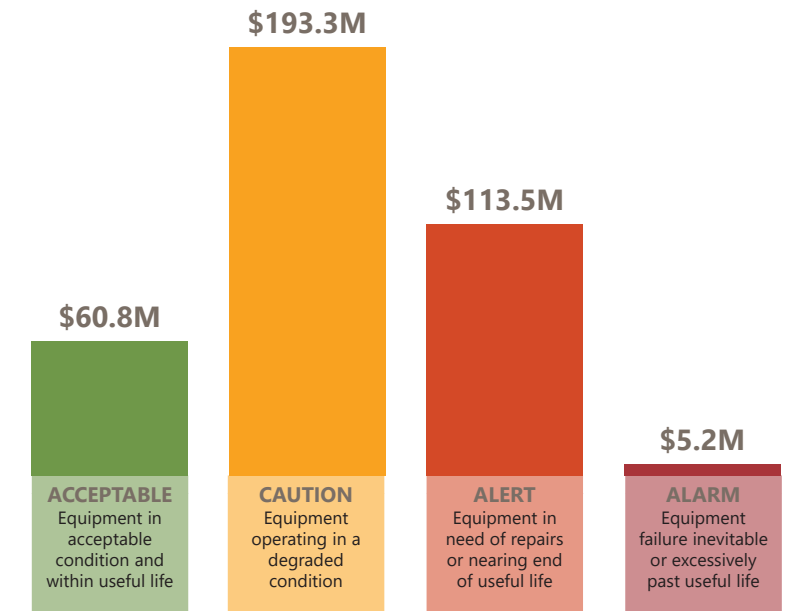
BUDGET CHANGES

CAPITOL EXTRAORDINARY REPAIRS

\$20M Request

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

\$20M



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STATE FACILITY PROJECT IMPROVEMENT NEEDS

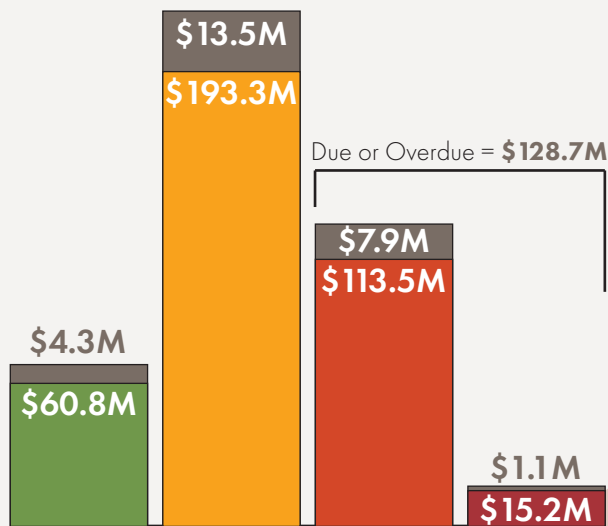
2022 Scope Summary

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

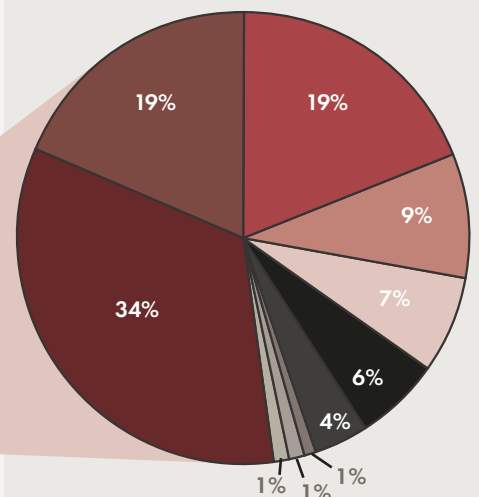
Over **120 state-owned buildings**, occupied by **17 agencies** and comprising **3.7 million square feet** were assessed.

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

IDENTIFIED NEEDS SUMMARY



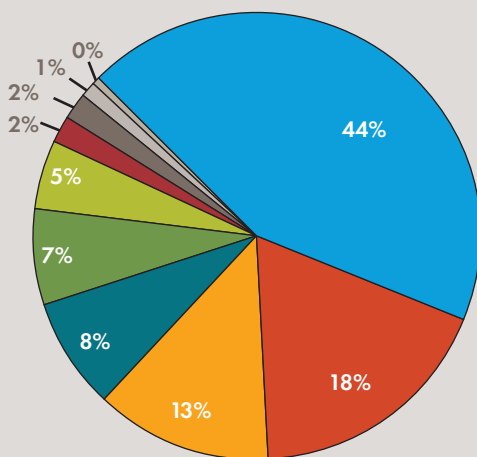
IMMEDIATE PRIORITY "ALARM" NEEDS BY AGENCY = \$15.2M



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

- 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)



BUDGET CHANGES

SPACE UTILIZATION OPTIMIZATION

\$5.5M Request

Create an efficient workplace environment in the Capitol and Judicial Wing

\$5.5M

- These remodeling costs will result in savings through the elimination of leased space in Bismarck. 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



BUDGET CHANGES

RENT MODEL CHANGE

CURRENT MODEL

Only non-general fund agencies pay rent

PROPOSED MODEL

- All executive branch agencies pay a consistent rental rate
- Funding added in executive budget for all general fund agencies to pay rent

Facility Management salary budget would be funded from special funds

Proposed Model OUTCOME

- Agencies incentivized to efficiently manage space and benefit from reducing space
- Positive return by minimizing use of offsite space



BUDGET CHANGES

FACILITY MANAGEMENT FUNDING SOURCE CHANGE

- 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

\$396,888 Request

- 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**
- **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

- **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, integration, reporting and security experts who support all state agency fiscal team members
- 2 FTE

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

- **Financials Functional Leads**

- Work with OMB's Business and Section leads and NDIT developers on troubleshooting issues; researching new functionality; implementing modules/functionality.
- Gather business requirements from agencies for requests, testing, creating reports and queries; maintaining security access; and creating and maintaining training/support documentation.
- Support for all state agency fiscal team members using existing PeopleSoft modules of Accounts Payable, Accounts Receivables, General Ledger, Asset Management, and Lease Administration.
- Allows both OMB fiscal team and NDIT developer team to be more efficient.
- Allows us to better serve agencies, reduce growing backlog of PeopleSoft enhancements, and better support new Procurement Automation system.



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

- 5 FTE

Total additional salaries and benefits requested = \$1.163M

- **Talent Acquisition Manager**

- Plan, develop, and implement statewide talent acquisition strategy.

- **Talent Acquisition Associate**

- Provide high level execution and leadership in innovative talent acquisition efforts.

- **Learning & Development Manager**

- Develop and implement statewide learning and development strategy, curriculum and training programs.

- **Total Rewards Specialist**

- 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.

- **Change Management Program Manager**

- Responsible for delivering enterprise level Change Management services.



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

Student Internship Program

\$700,000

- 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

LinkedIn Recruiter

\$95,000

- 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

Leave Management System

\$335,000

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



BUDGET CHANGES

TOTAL REWARDS PACKAGE

TARGETED EQUITY PACKAGE

EQUITY

one-time – prior to July 1, 2023

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



GENERAL PERFORMANCE INCREASE

6% / 4%

FY2024 / FY2025

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

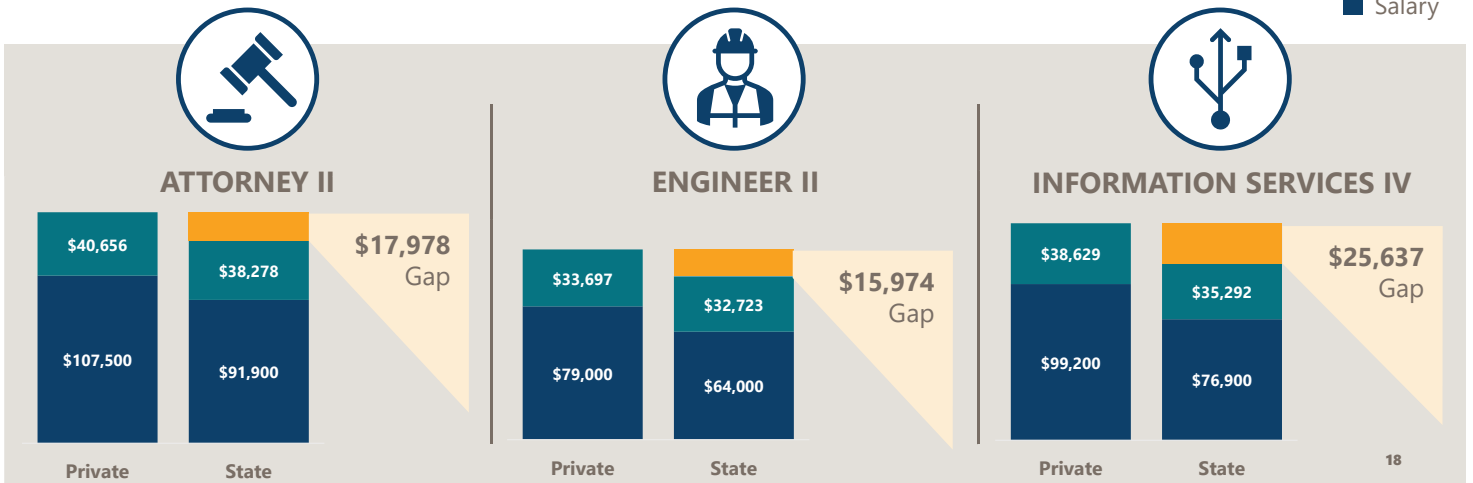


TARGETED EQUITY PACKAGE

Addresses:

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

■ Benefits
■ Salary





GENERAL PERFORMANCE INCREASE

6% 2023/4% 2024

Addresses:

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



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

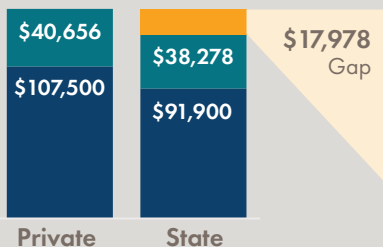
Cost: \$210.9M Total Funds
(\$87.7M = General Funds)

WHAT IS PAY EQUITY? WHY IS IT IMPORTANT?

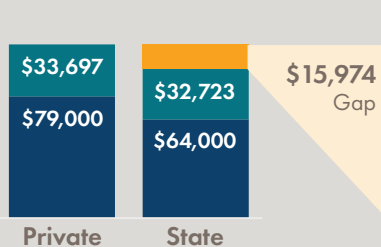
Pay equity is compensating team members who have similar job responsibilities, skill and effort in a similar fashion that is fair and competitive in the market. Our internal salaries are not only out of line with the market price, we are also competing internally due to inconsistent pay distribution. 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.



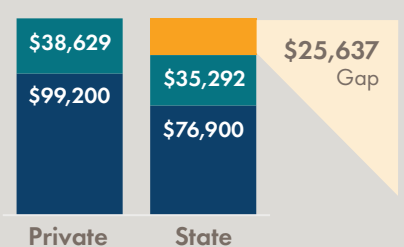
ATTORNEY II



ENGINEER II



INFORMATION SERVICES IV



■ Benefits
■ Salary

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

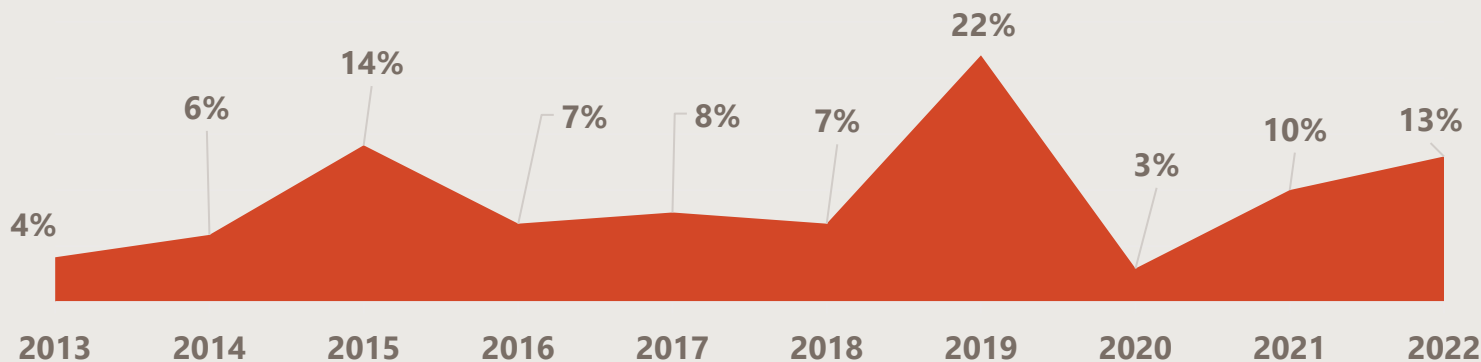
13

average years of service

10%

retirement-eligible

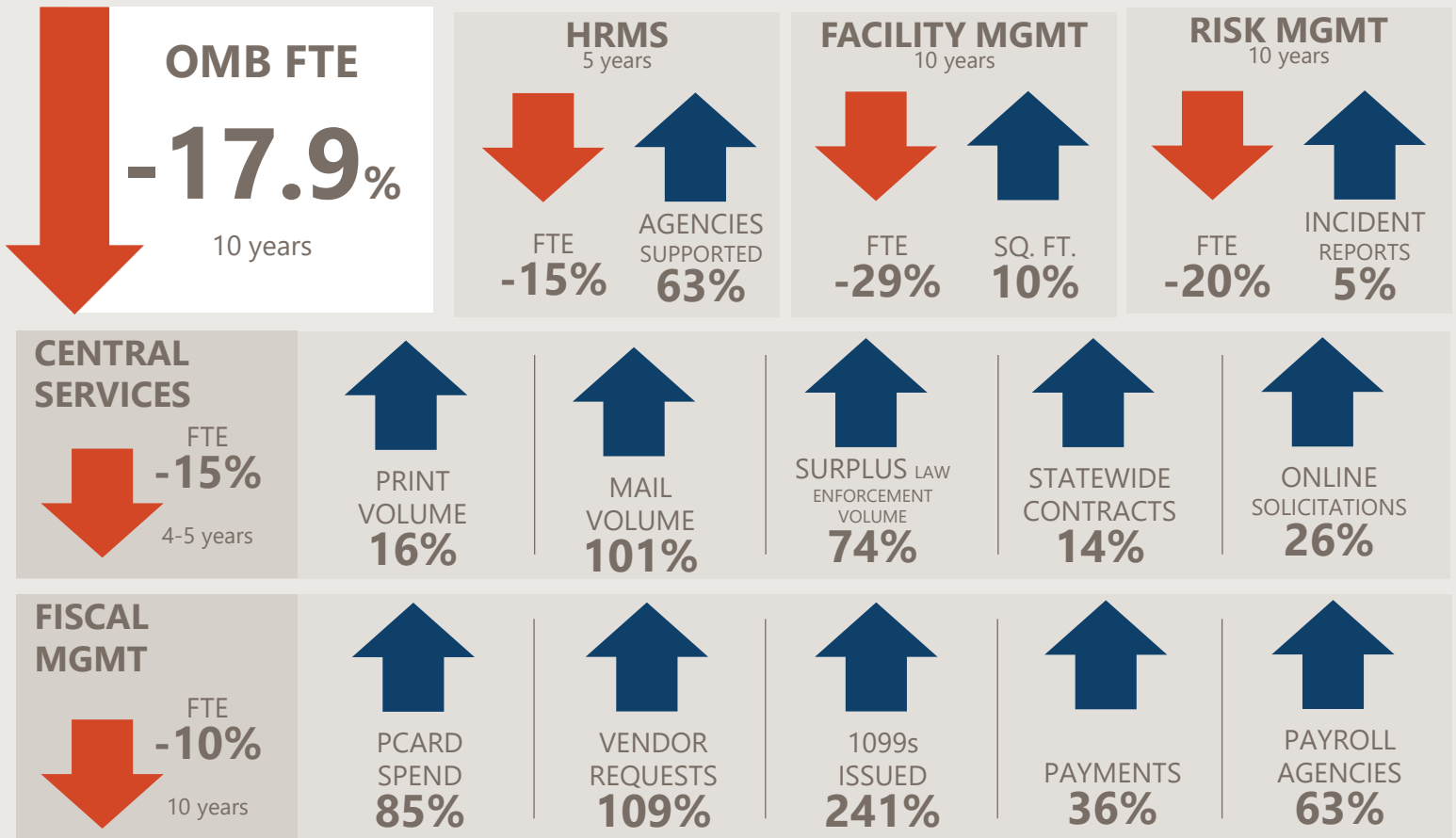
TURNOVER – LAST 10 YEARS



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.

\$94.22M Increase

LINE-ITEM CHANGES SALARIES



- **\$89.7M** for equity package
- **\$1.9M** for nine new FTE's
 - Learning and development manager \$255,452
 - 2 Financial functional lead positions \$381,724
 - Talent acquisition manager \$255,452
 - Total rewards specialist \$218,472
 - Talent acquisition specialist \$218,472
 - 2 Communications positions \$350,722
 - Change management program manager \$214,930
- **\$396,888** to repurpose two currently vacant FTE to add lease administrator position and a public improvement manager
- **\$1.97M** for the executive compensation package

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

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\$3.65M Increase

LINE-ITEM CHANGES OPERATING



- **\$2.56M** for ongoing expenses
 - 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
 - \$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

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LINE-ITEM CHANGES CAPITAL ASSETS



- **\$49.1M** for the following:
 - \$20.0M for statewide critical maintenance and repair projects based on facility needs assessment
 - \$12.0M for new boilers
 - \$5.5M for reconfiguring space in the capitol building and Judicial wing
 - \$1.8M for landscaping enhancements
 - \$600,000 for miscellaneous mechanical and electrical repairs
 - \$451,000 for the removal of the State Office Building
 - \$5.3M for projects in the capitol complex funded from the Capitol Building Fund, including window replacement in the tower and legislative wing, Brynhild Haugland remodel, 18th floor remodel and security and landscaping items at the Governor's residence
 - \$2.5M for a new eProcurement system
 - \$800,000 for building automation project

LINE-ITEM CHANGES GRANTS



- **Guardianship Grants** – Guardianship grants are continued at the current level of \$2.45M.
- **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. The executive budget includes one-time funding of \$1.79M for projects.
- **State Student Internship** – The executive recommendation includes one-time funding of \$700,000 from the general fund to continue 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.

OTHER SECTIONS IN BILL DRAFT

- Section 3 – Transfer of \$200M from Tax Relief Fund to Social Services Financing Fund
- Section 4 – Authority to allocate \$20M funding for deferred maintenance to agencies based on facility condition assessment
- Section 5 – Authority to allocate \$700,000 to agencies for state internship cost-sharing program
- Section 6 – Authority to allocate \$90M proposed state equity pool funding

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OTHER SECTIONS IN BILL DRAFT

- Section 7 – Turnback exemption for Fiscal Management for support of PeopleSoft and other statewide financial and administrative systems
- 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 – Guidelines for state employee compensation adjustments to be 6% in 2024 and 4% in 2025

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OTHER SECTIONS IN BILL DRAFT

- Section 10 – Proposed simplification changes to Legacy Fund earnings allocations:
 - Provides for the transfer to Legacy Earnings Fund of only the amount equal to 7% of 5-year average fund balance
 - Provides intent for allocation of Legacy Earnings Fund:
 - 31% (\$150M) to bond payments and PERS fund
 - 14% (\$68M) for community and workforce development programs and initiatives
 - 35% (\$172M) for economic development and research programs and initiatives
 - 20% (\$96M) for legacy projects and destination development programs and initiatives

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OTHER SECTIONS IN BILL DRAFT

- 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 – Space utilization and allocation policies development authority delegated to Capitol Grounds Planning Commission
- Section 13 – Motor vehicle tax transfer to Highway Fund to provide ongoing revenue stream to offset declining gas tax revenues - 25% of the general fund share the first year and 50% thereafter.

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OTHER SECTIONS IN BILL DRAFT

- Section 14 – New Capitol rent model allows all executive branch agencies to be charged the same rent per square foot regardless of agency funding source
- Section 15 - 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
- Section 16 – Establishment of Facility Management Operating Fund to receive rent payments to be used to fund FM salary costs

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OTHER SECTIONS IN BILL DRAFT

- Section 17 – General fund share of oil and gas taxes increased from \$400M to \$600M per biennium
- Section 18 – Assigns duties for conducting space utilization studies, developing space utilization standards, and assigning Capitol building space to the Capitol Grounds Planning Commission
- Section 19 – Emergency clause to allow distribution of salary equity funding prior to June 30, 2022
- Section 20 – Repeal of OMB space utilization study responsibilities and biennial report on procurement exemptions

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PASS-THROUGH GRANTS

- Two grants in the OMB budget are pass-through grants
- Supporters of these programs are available to provide testimony
- **Guardianship Grants - \$2,450,000 proposed appropriation**
 - 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