

TESTIMONY OF

Joe Morrissette, Director, Office of Management and Budget

Chairman Monson and members of the House Appropriations Government Operations Division. 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
- Our current budget and recommended budget
- 2023-25 accomplishments
- Goals for the 2025-27 biennium
- Recommended changes to our base budget for the 2025-27 biennium
- Descriptions of the various sections included in the executive budget for OMB

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 Governor Armstrong'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.

A winter scene with snow-covered trees and a path. The image shows a line of trees with snow on their branches and a path leading through them. The ground is covered in a thick layer of snow, and the sky is bright and clear.

NORTH
Dakota
Be Legendary.

Management
and Budget

HB 1015 TESTIMONY HOUSE APPROPRIATIONS

Joe Morrissette, Director
Thursday, January 16, 2025



OUR MISSION

To provide innovative leadership and support to state government.

OUR STRUCTURE

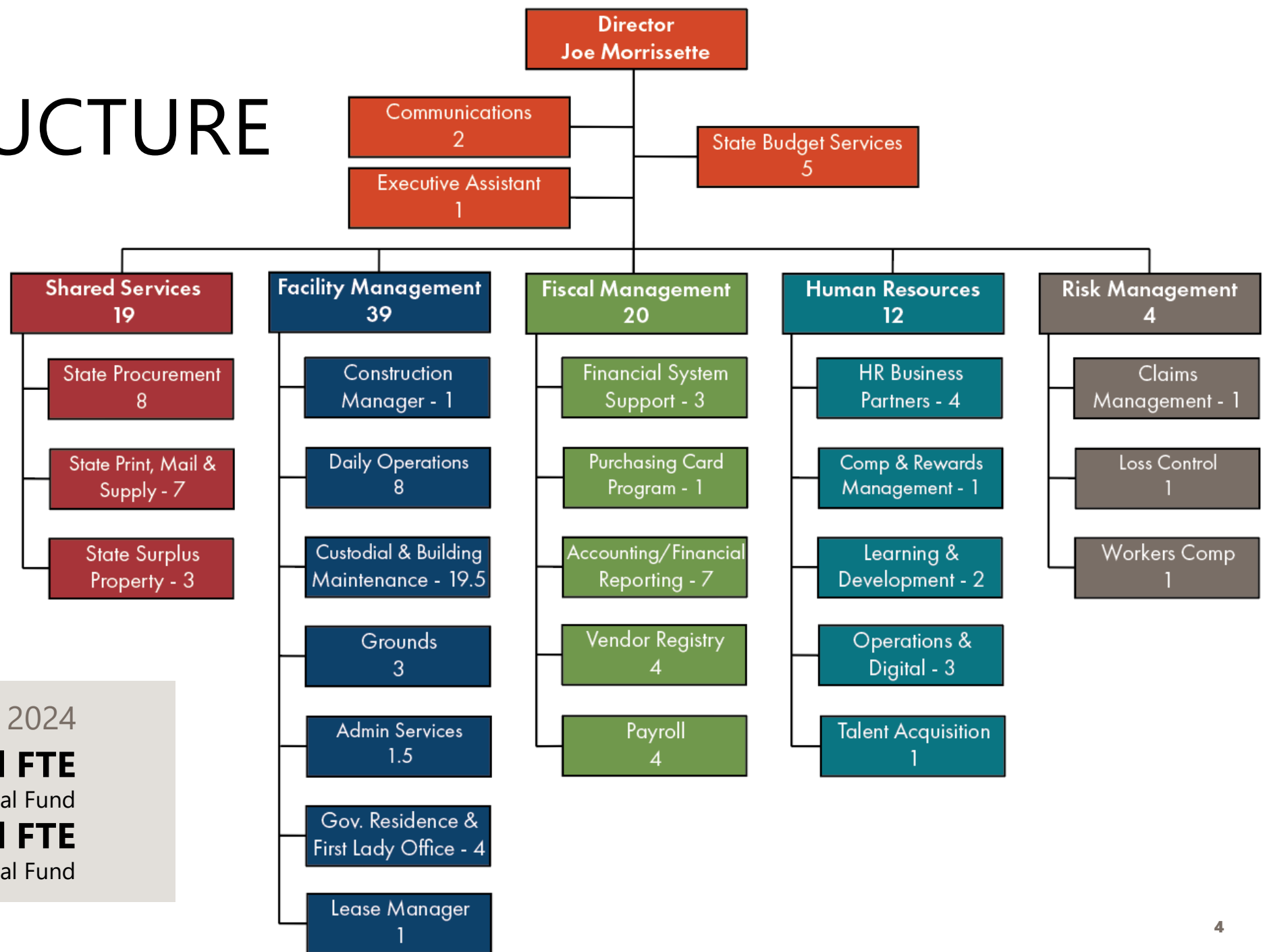
FIVE DIVISIONS

Shared Services • Facility Management

Fiscal Management • Risk Management

Human Resource Management Services (HRMS)

OUR STRUCTURE



As of Dec. 1, 2024

103 Total Filled FTE

43.4 of which are Special Fund

Excludes 7 Unfilled FTE

All 7 are Special Fund

CURRENT VACANT POSITIONS



Shared Services

- Graphic Artist
- Print Equip. Operator
- Print and Mail Specialist
- State Surplus Property Specialist
- Assistant State Printing Manager



Facility Management

- Custodian
- Maintenance Worker I
 - (1 FTE position currently filled with .5 FTE)
- Tour Guide
 - (1 FTE position currently filled with .5 FTE)



BUDGET & ADMIN

Director Joe Morrissette

Who We Serve

- State agencies and team members
- The public
- The Governor & Governor's Office
- Legislators
- Media

BUDGET & ADMIN

What We Do

- Budget
 - Provides budget guidelines for the development of agency budget requests.
 - Prepares state revenue forecasts.
 - Creates executive budget that serves as statewide financial plan.
 - Assists state agencies throughout the biennium on the execution of the budget.
- Admin/Communications
 - Provides communications services to OMB and all five divisions, including strategy, branding, messaging, creative design.
 - Provides internal OMB communications, and internal statewide/Team ND communications.
 - Provides statewide communications services and guidance to agencies.
 - Provides statewide communications leadership to state agencies.
 - Provides communications services and support to other agencies on a limited basis.



SHARED SERVICES DIVISION

Division Director Sherry Neas

Who We Serve

- All state agencies and NDUS institutions
- Vendors
- K-12, political subdivisions, eligible nonprofits

SHARED 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.
- Operates a central mail room for the Capitol.
- Distribute state and federal surplus property to eligible entities and manage e-waste.



FACILITY MANAGEMENT DIVISION

Division Director Brandon Solberg

Who We Serve

- State agencies and team members
- Visitors
- The First Family
- Legislators
- Media

FACILITY MANAGEMENT DIVISION

What We Do

- Maintain the state Capitol complex.
- Manage space utilization and leasing of office space on behalf of state agencies that require space outside of the Capitol complex.
- Manage public improvement projects on behalf of state agencies.
- Provide space utilization and facility planning guidance to state agencies.
- Provide indoor and outdoor 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.
- Provide services for the First Family at the governor's residence.



FISCAL MANAGEMENT DIVISION

Division Director Joe Goplin

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:
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

Division Director/CPO Molly Herrington

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 talent acquisition process.
- Maintain the state careers website.
- Support PeopleSoft Human Capital Management (HCM), Enterprise Learning Management (ELM) and job description system.



RISK MANAGEMENT DIVISION

Division Director Tag Anderson

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, in cooperation with WSI, the single joint account for all state entities as part of a large deductible program for workers' compensation coverage for state employees.

WHAT WE'RE PROUD OF



IMPROVED TEAM MEMBER COMMS & TRAINING

- Quarterly OMB Agency Essentials
- Gallup engagement initiative and surveys
- Team ND Connect – statewide intranet
- Team ND News
- Interagency mentorship program
- Managers Essential course
- Team ND manager resources



IMPROVED EFFICIENCY: TECHNOLOGY

- Enterprise procurement automation project with other agencies
- Supplier onboarding security enhancements
- Travel and expense automation
- Oracle Guided Learning
- New technology to increase print & mail efficiency
- Dashboards for Managers/HR
- Enhanced manager self-service

WHAT WE'RE PROUD OF



IMPROVED EFFICIENCY: CENTRALIZATION & STANDARDIZATION

- Payroll processing/admin
- Universal policies – 47 currently
- Robust compensation study
- Add and update state contracts
- Enterprise FMLA administration solution
- HR communities of practice
- HRMS request form
- Universal recruitment letter templates



OTHER

- Updated space utilization and optimization plan
- National achievement awards in financial reporting and budgeting
- House and Senate Chambers/Brynhild Haugland room mechanical equipment upgrade
- Capitol complex designated 2nd Cardiac Ready Campus in state

STATS WE'RE PROUD OF

\$15M

LESO property
issued to state &
local law
enforcement

Targeted market
equity
adjustments to

3,702

team members

Performed
payroll
administration
duties for

27

state agencies

Reviewed over

12K

incident reports

Completed
2,536

facility work
orders

Managed

9

major statewide
pools & grants
with no
additional FTE

Reduced leased
office space by

33%

in past 4 years

Collaborated to
develop

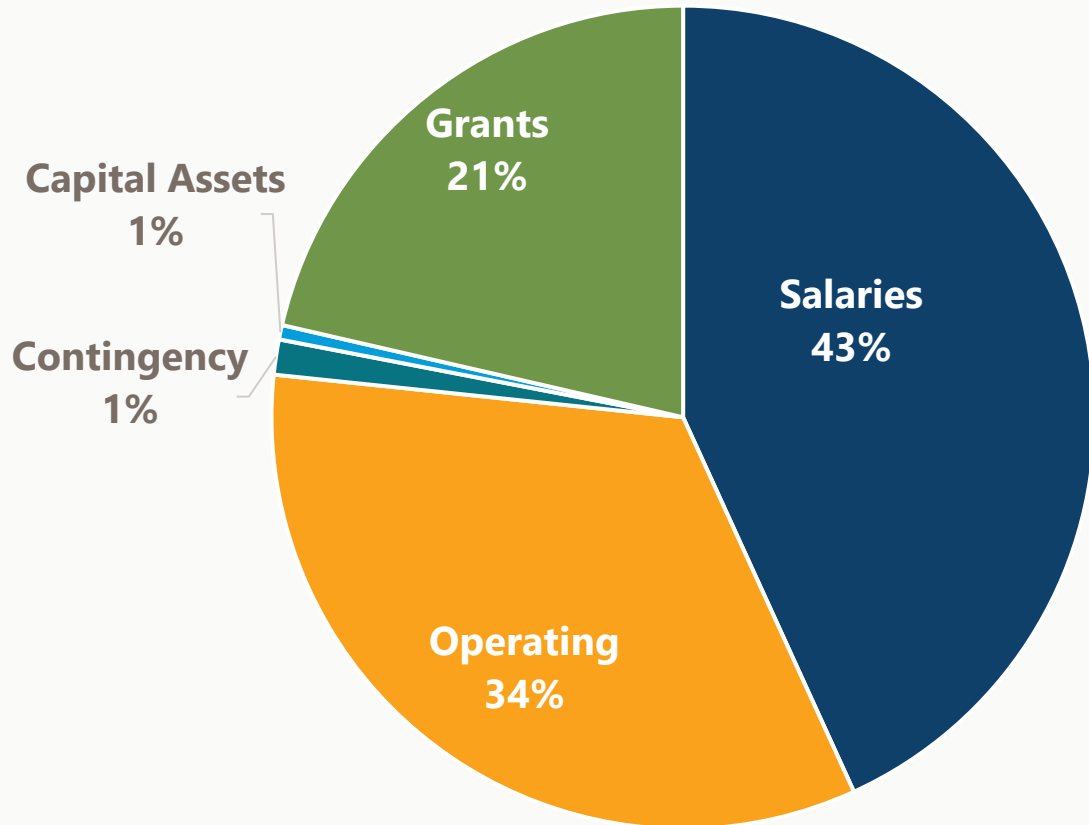
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universal HR
policies to
enhance
consistency

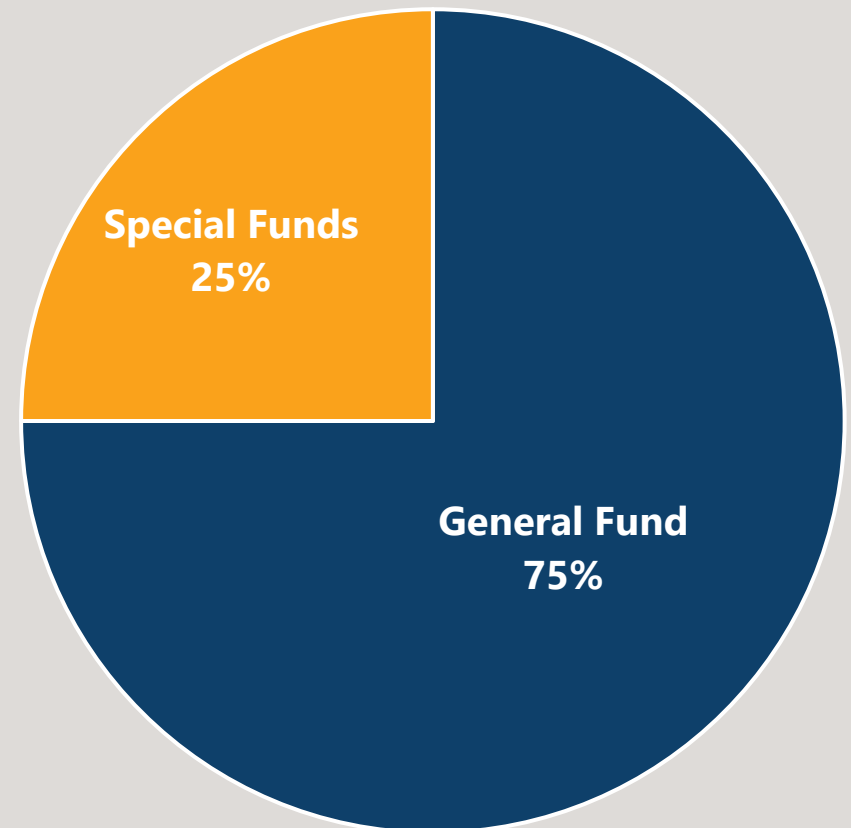
OMB LEGISLATIVE BASE BUDGET – \$54.4M

2023-25

Appropriation



Funding

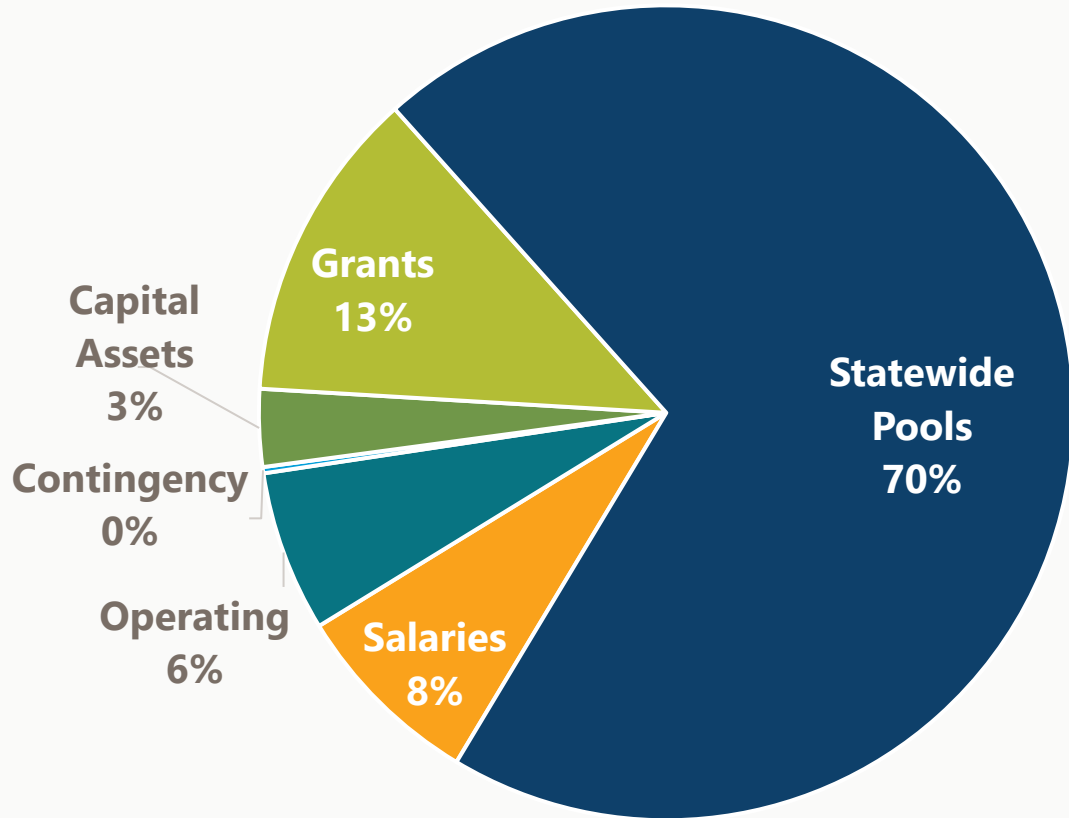


OMB TOTAL BUDGET – \$283.7M

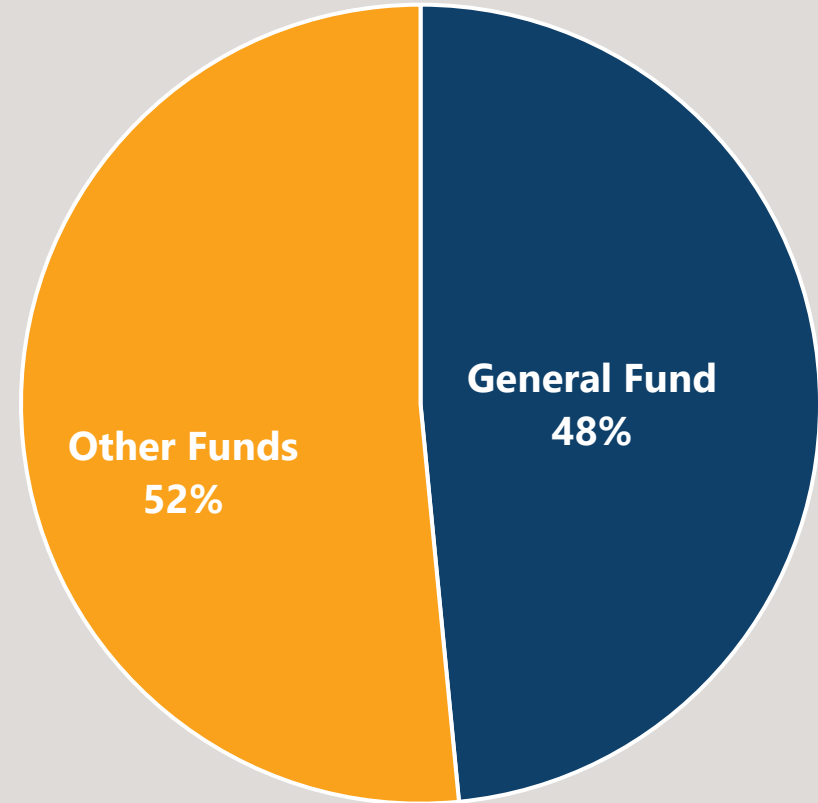
ONGOING AND ONE-TIME EXPENDITURES

2023-25

Appropriation



Funding

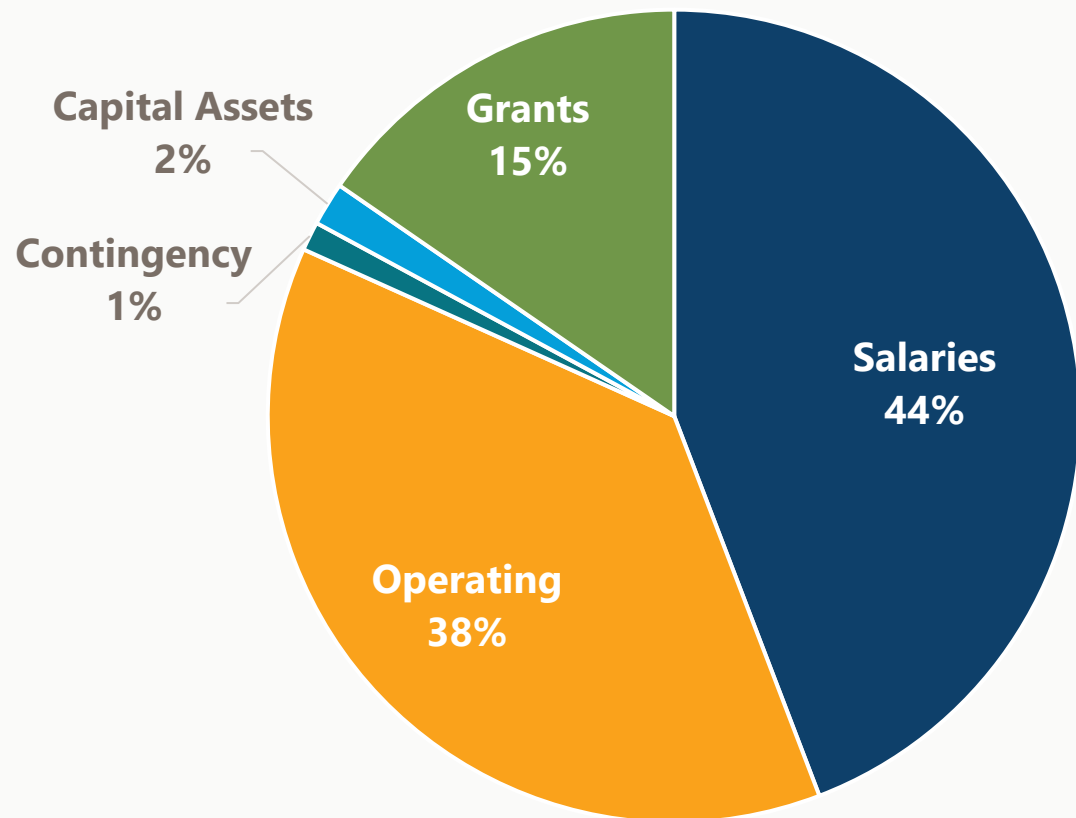


OMB PROPOSED BUDGET – \$63.2M

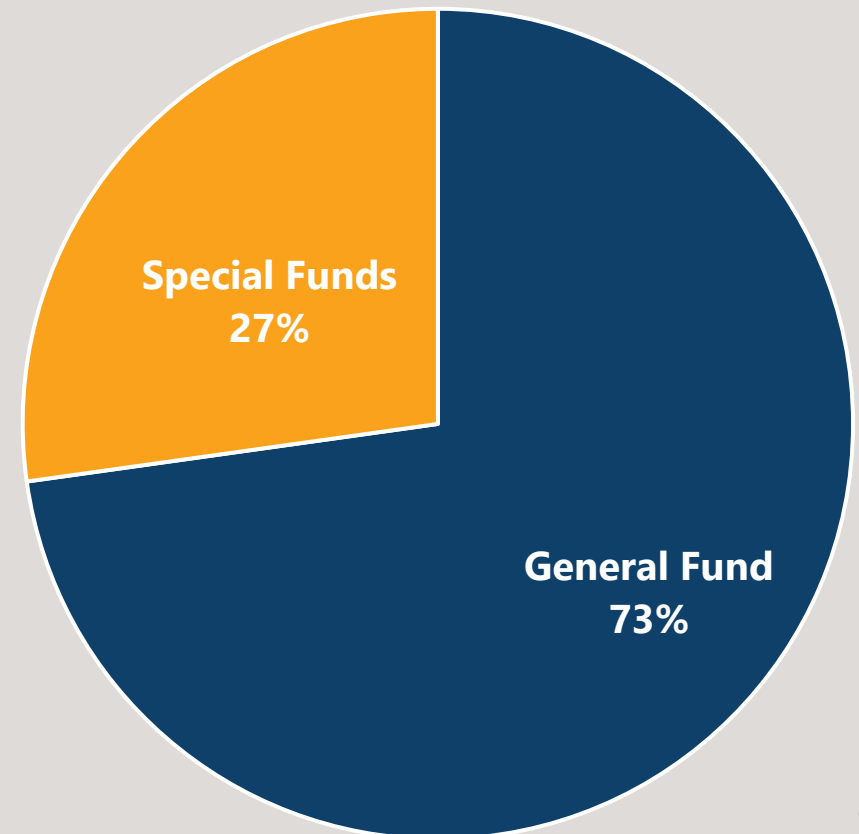
ONGOING EXPENDITURES

2025-27

Appropriation

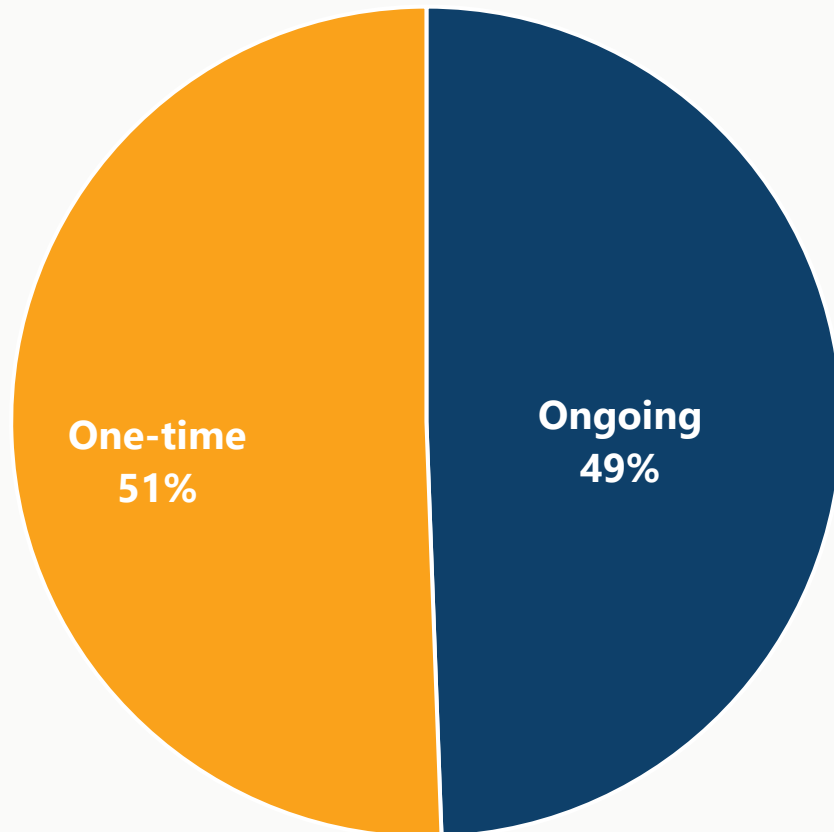


Funding

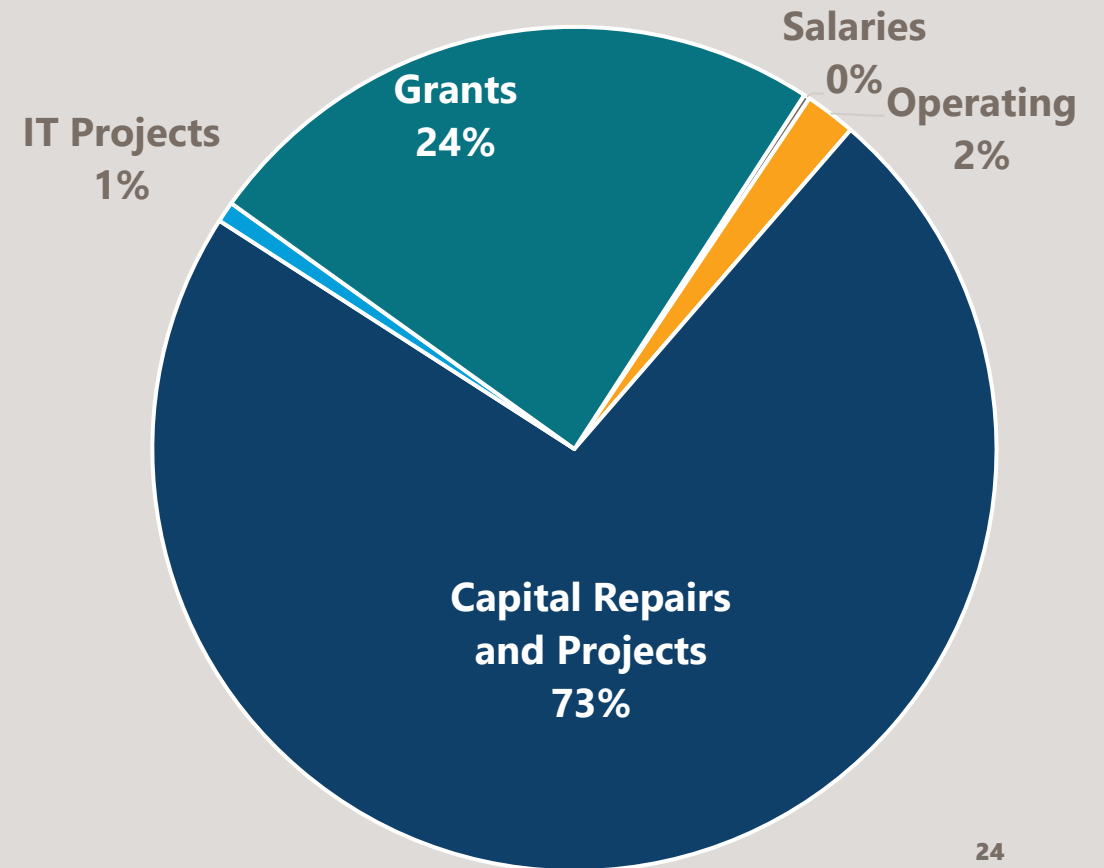


OMB PROPOSED BUDGET ONGOING AND ONE-TIME EXPENDITURES 2025-27

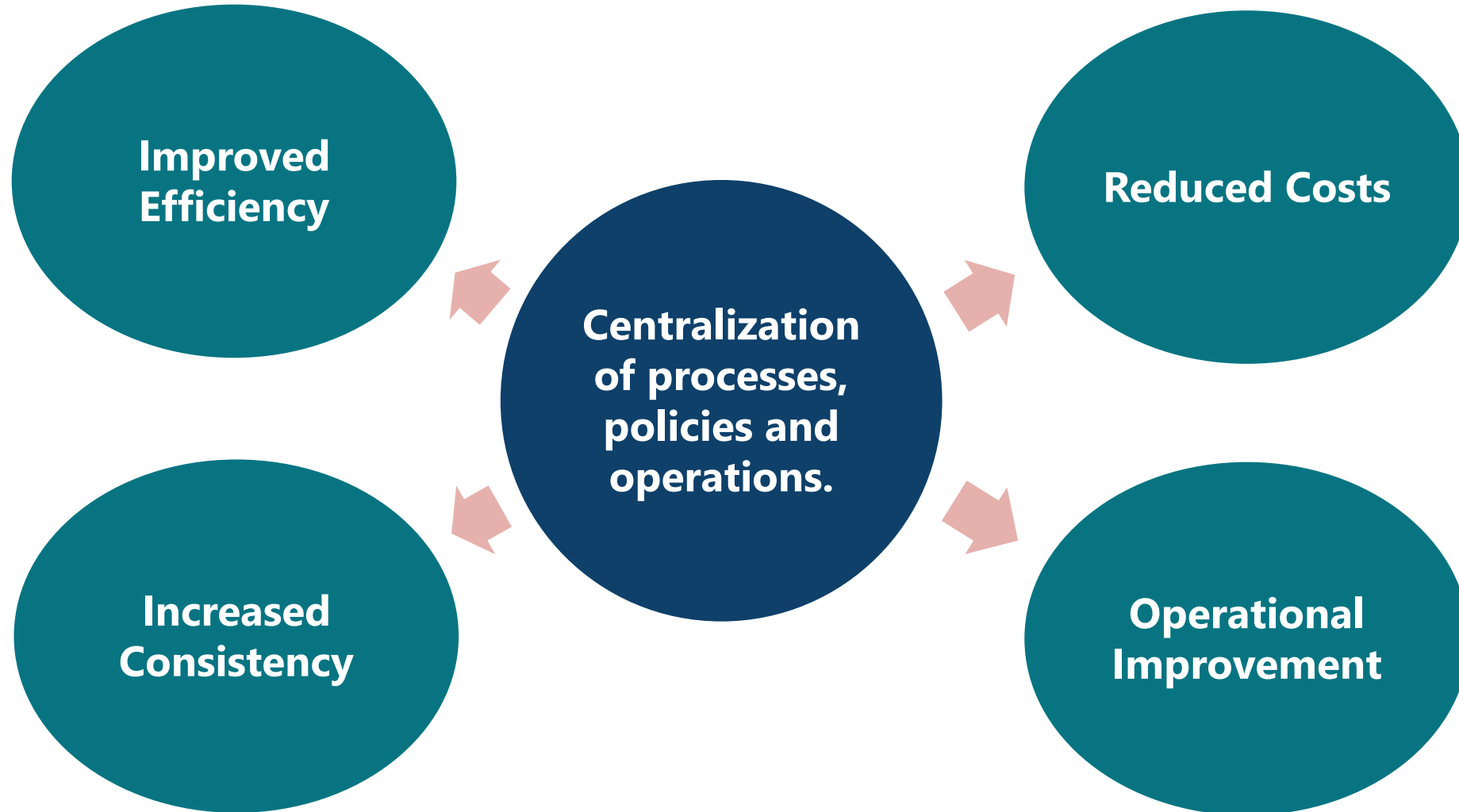
Total Appropriation - \$127.9 M



One-time - \$64.7M



OMB OPERATING MODEL



GOALS & OBJECTIVES

2025-27



Improve Facilities & Space Utilization

- Address identified deferred maintenance needs across state-owned facilities.
- Improve utilization of state buildings through space optimization and reconfiguration.
- Enhance the visitor experience at the Capitol.
- Enhance Governor's Residence access, landscaping and security.



Improve Team Member Communications & Training

- Conduct procurement recertification training.
- Enhance State Surplus Property user communications.
- Enhance Statewide Communications Network through training and leadership opportunities.
- Expand manager training.
- Add team productivity training.

GOALS & OBJECTIVES

2025-27



Improve Efficiency Through New Technology

- Implement procurement automation system.
- Enhance the job candidate experience.
- Migrate to new state emergency notification system.
- Migrate to GT eForms.
- Implement ASC (security self-service for agencies).
- Implement payment request.
- Expand travel & expense.
- Implement PeopleSoft Fluid update.



Improve Efficiency & Enhance Support

- Provide shared communications services.
- Develop centralized lease management and construction management functions.
- Simplify procurement processes.
- Establish regular procurement collaboration with OMB & NDUS.
- Create new OMB & NDUS surplus user group.
- Facilitate more consistent HR processes/practices.



BUDGET CHANGES

SALARY

\$1.7 M Recommendation

Ongoing salary costs to replace 2023-25 FTE pool

- Restore vacant FTE pool - \$1,261,439 (\$1,076,769 GF and \$184,670 SF)
- Restore new FTE pool - \$446,314 (all GF)
- Total requested budget change to fund existing OMB positions
 - General fund - \$1,523,083
 - Special funds - \$184,670
 - Total funds - \$1,707,753
- *NOTE: This request is to fund existing positions and is separate from any FTE pool funding changes that may be considered for the 2025-27 biennium*



BUDGET CHANGES

IT SYSTEM IMPLEMENTATION

\$1.1M Recommendation

Procurement Automation System

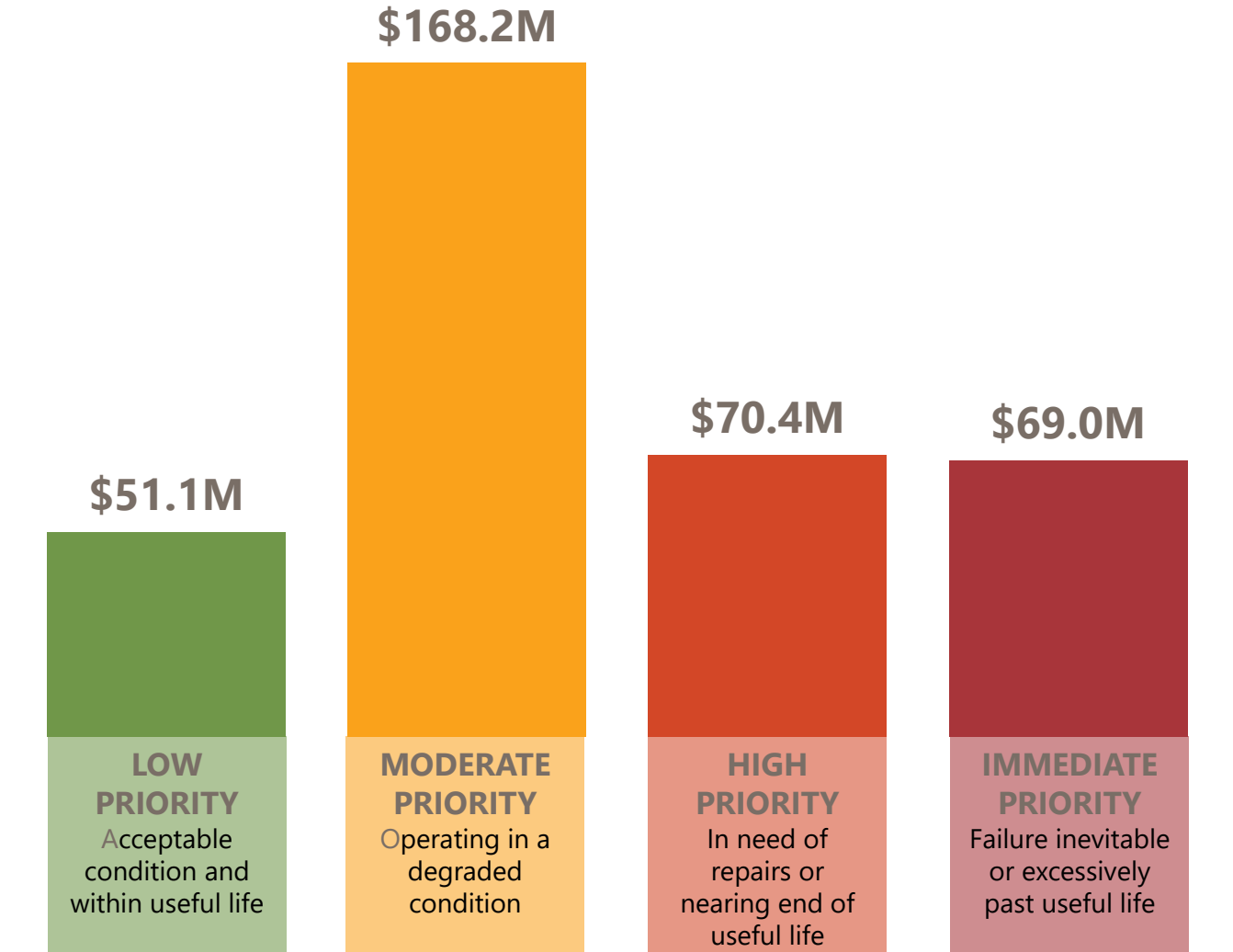
- May 2025 go live
- System development and acquisition funded in 2021-23 and 2023-25
- Will improve and streamline procurement process
- Improved service for vendors, OMB, state agencies and NDUS institutions
 - \$615,004 ongoing costs – subscription costs for annual maintenance and updates
 - \$515,052 one-time funding for implementation, initial training, and integration with PeopleSoft



BUDGET CHANGES

STATEWIDE DEFERRED MAINTENANCE

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





BUDGET CHANGES

DEFERRED MAINTENANCE PROJECTS – CAPITOL COMPLEX

Within the \$40M
Recommendation

Immediate Priority Projects

- Liberty Memorial Building roof repair -\$570,000
- Capitol boiler replacement project \$4M
- Capitol & Legislative Wing window replacement - \$4.1M
- Capitol Café kitchen equipment upgrade - \$970,000
- Capitol 400-ton chiller replacement - \$1.5M
- Heritage Center cooling tower replacement - \$1.4M
- Judicial Wing air handling unit replacement - \$1.2M
- Judicial Wing fluid cooler replacements - \$1.6M



BUDGET CHANGES

CAPITOL COMPLEX – REPAIRS AND IMPROVEMENTS

\$500K Recommendation

Miscellaneous Repairs, Known and Unforeseen

- Ability to address unpredictable needs that come up throughout the biennium
- Ongoing funding source from the Capitol Building Trust Fund

\$2.35M Recommendation

Access and Security Enhancements at the Governor's Residence

- Perimeter fence and landscaping - \$1.6M
- New driveway and gate - \$750,000



BUDGET CHANGES

CAPITOL COMPLEX – REPAIRS AND IMPROVEMENTS

Visitor Experience Enhancements

- 18th floor redesign
- Wayfinding – interior and exterior signs
- Arboretum tree and plaque replacements
- Development and implementation of a tree management plan
- Seasonal decorations
- Rough Rider Hall of Fame virtual visitor information and engagement
- Exterior lighting enhancements
- Public seating improvements



BUDGET CHANGES

SPACE OPTIMIZATION AND UTILIZATION

Rent and Moving Cost Pool

- Pool to help with cost of relocating to optimize existing office space
- Related moving expenses not budgeted by agencies for 2025-27
- Related lease costs not budgeted by agencies for 2025-27



BUDGET CHANGES

SPACE OPTIMIZATION AND UTILIZATION

Space Reconfiguration

- Create an efficient workplace environment in the Capitol and Judicial Wing
- Including:
 - Elimination of underutilized agency conference rooms through creation of common conference rooms for use by all agencies
 - Creation of common "hoteling" work location for all state agencies to use for hybrid positions
 - Redesigning existing office space to maximize FTE utilization



BUDGET CHANGES

CAPITOL EQUIPMENT REPLACEMENT

Two Machines for Snow Removal

- Equipment for Facility Management use - \$172,000

Walk-Behind Scrubber

- For maintaining and cleaning floors - \$20,000



BUDGET CHANGES

FACILITIES MANAGEMENT

\$1.2M Recommendation

Utilities & Operating Cost for State Lab

- Cost to operate new lab.

\$200K Recommendation

Increase in Utilities & Operating Cost for Capitol Complex

- Electricity & natural gas rate increases.



BUDGET CHANGES

FACILITIES MANAGEMENT

\$121,786 Recommendation

Systems Mechanic for the State Lab

- 1 FTE (salary + benefits)

Systems Mechanic

- Will maintain an advanced HVAC system at the state lab including troubleshooting issues, completing preventative maintenance, and conducting equipment inspections. The lab instruments have strict environmental tolerances for testing and safety.



BUDGET CHANGES

\$219,213 Recommendation

CENTRALIZED SERVICES AND SUPPORT - COMMUNICATIONS

Centralized communications support for small agencies with no communications professional

- 1 FTE (salary + benefits)

 - *Communications Specialist*

 - Will help communicate with citizens and constituents regarding agency mission and how to access programs and services
 - Will assist with:
 - Media inquiries,
 - Development of communications campaigns,
 - Event planning,
 - Project management, and
 - Writing to include news releases for partner agencies.

 - **This is a reclassification of a current special fund position; no new FTE needed.**



\$252,889 Recommendation

BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - PROCUREMENT

- State Procurement Office support for state agencies
- 1 FTE

State Procurement Officer

- Increased procurement support to state agencies and institutions
- Develop new state contracts
- Support information technology procurement
- Support new statewide contract management system rollout to state agencies and NDUS
- Grow cooperative purchasing contracts to benefit local government and public schools
- **This is a reclassification of a current special fund position; no new FTE needed.**



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

\$500K Recommendation

Student Internship Program

2025-27 is expected to have over 130 interns requested, more if additional funding is available

- So far in 2023-25, 110 applications with 108 approved
- 19 agencies requested interns
- More than 22% of interns transitioned to full-time employment



BUDGET CHANGES

CENTRALIZED SERVICES AND SUPPORT - HR

\$550K Recommendation

Enhanced Recruiting Marketing System

- **Easy Apply:** A mobile-friendly application process with no profile setup required, resume/profile parsing, and increased applicants.
- **Career Site:** Search engine optimized job announcements, integrated chat bots, and the ability for potential candidates to join our job network.
- **Job Broadcasting:** Integration with third-party job boards to post job announcements to reduce duplication.
- **Potential Candidate Tracking (CRM):** Search and source pipeline talent, build candidate relationships, and utilize analytics.
- **Increased Outreach:** Two-way texting, building brand recognition, and staying connected with potential candidates.



BUDGET CHANGES

HR SERVICES & SUPPORT

OMB Temporary Employee Salaries

- Salary dollars to cover OMB temporary staff.

\$200K Recommendation

OMB Leave Payout

- Compensation for employees' unused leave time.

\$150K Recommendation

OMB Equity

- Equity increases primarily for Capitol complex custodians.

\$110K Recommendation

FMLASource

- Ongoing cost to administer Family Medical Leave Act (FMLA) software application for Team ND.

\$324K Recommendation

HAY Methodology

- A job evaluation system that helps determine fair employee pay and classification.⁴³

\$134K Recommendation



BUDGET CHANGES

TEAM MEMBER SALARIES

\$909,490 Recommendation

General Performance Salary Increase

- Average of 3% for FY2026/3% for FY2027
- Salary increases are expected to be based on performance, not distributed uniformly across-the-board
- All agency salary budgets adjusted in Armstrong budget recommendation



BUDGET CHANGES

BENEFITS

\$10M Recommendation

Defined Benefit to Defined Contribution Retirement plan pool

- Cost to cover the incentive for eligible team members to move from the defined benefit plan to the defined contribution plan



BUDGET CHANGES

MISCELLANEOUS

**\$2.1M Special Fund
Authority Recommendation**

Facility Management Special Fund Authority

- Move portion of authority related to operating costs to special funds
- Corresponding general fund reduction
- Funds available from rent collections

-\$910K Recommendation

Working Parent Child Care Relief

- Move the Higher Ed portion of the Working Parent Child Care Relief program funds to the North Dakota University System



BUDGET CHANGES

OPERATING COSTS

Increase in OMB Operating Costs

- Inflationary increases in operating costs in 2023-25 and 2025-29
- State Print & Mail and State Surplus Property appropriation authority to support business operations
- Data processing cost increases
- Restoration of 3% special fund budget reduction
- General fund - \$2,048,876
- Special funds - \$725,064

OTHER SECTIONS IN BILL DRAFT

- **Section 3: FTE Adjustment Authority** – This proposed language would allow OMB to adjust FTE positions as needed, within the limits of our budget authority.
- **Section 4: Transfer to DHHS** - Transfer of \$250M from the Social Services Fund to the Human Service Finance Fund.
- **Section 5: Transfer to PERS Fund** – Transfer of \$100M from SIIF to NDPERS fund to address unfunded liability.
(Note: The bill draft refers to \$135M as proposed in the Burgum budget.)

OTHER SECTIONS IN BILL DRAFT

- **Section 6: One-time Funding from SIIF** – This section specifies the amount of one-time funding from SIIF. This amount should be \$58.4M to correspond with the Armstrong budget recommendation. *(Note: The bill draft refers to \$40.4 M as proposed in the Burgum budget.)*
- **Section 7: Funding from Capitol Building Fund** – This section specifies the amount of funding proposed from the Capitol Building Fund. This amount should be \$5.4M. *(Note: The bill draft refers to \$6.5 M as proposed in the Burgum budget.)*
- **Section 8: Internship Program** - Authority to allocate \$500,000 to agencies for state internship cost-sharing program.

OTHER SECTIONS IN BILL DRAFT

- **Section 9: Turnback Exemption** – Authority for Fiscal Management to carryover unused appropriations for support of PeopleSoft and other statewide financial and administrative systems.
- **Section 10: Carryover Authority** – Authority to carryover unspent authority for federal GEER funding and boiler and window replacement projects.
- **Section 11: Intent** - Intent for grants and specific items appropriated in section 1 for statewide dues and memberships, state unemployment insurance, and Capitol Grounds Planning Commission.

OTHER SECTIONS IN BILL DRAFT

- **Section 12 – State Team Compensation** - Guidelines for state employee compensation adjustments to average 3% in 2026 and 3% in 20275
- **Section 13 – Travel Expense Reimbursement** – Statutory change to set state mileage rate at federal GSA rate for employees assigned outside the state.
- **Section 14 – Fixed asset reporting value** – Removes the statutorily set rate with an amount set in fiscal policies so it can be adjusted to correspond to the federal rate and simplify financial reporting.

OTHER SECTIONS IN BILL DRAFT

- **Section 15 – Budget Stabilization Fund** - BSF maximum balance redefined to exclude general fund one-time expenditures and K-12 payments already covered by the Foundation Aid Stabilization Fund
- **Section 16 – Oil and Gas Taxes** – This proposed statutory amendment changes the allocation to the general fund. To correspond with the Armstrong budget recommendation we ask this be changed to reflect an increase from \$460 M to \$500 M.
- **Section 17 – Repeal** – Section 11-38-08 relates to premium payments to county extension agents for Boys and Girls Club Achievement Days. Funding for these payments has not been appropriated for several bienniums.

PASS-THROUGH GRANTS

- Two grants in the OMB budget are pass-through grants
- Supporters of these programs are available to provide testimony
 - **Guardianship Grants - \$6,887,000 proposed appropriation**
 - Aaron Birst, Executive Director, North Dakota Association of Counties
 - **Prairie Public Broadcasting - \$2,864,000 proposed appropriation**
 - John Harris, President and CEO, Prairie Public Broadcasting