

TESTIMONY OF

**Joe Morrissette, Director of OMB**

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. I am Joe Morrissette, the Director of the Office of Management and Budget.

My budget testimony consists of:

- The attached slide deck, which summarizes our current budget, 2019-21 accomplishments, goals for the 2021-23 biennium, and the changes we ask you to consider to the House version of House Bill 1015
- OMB organizational chart
- Spreadsheet summarizing fiscal year 2020 expenditures and the 2021-23 executive budget by line item and by ongoing and one-time expenditures
- Spreadsheet summarizing House changes to the Legislative Base level and the comparison to the Executive Budget Recommendation

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.

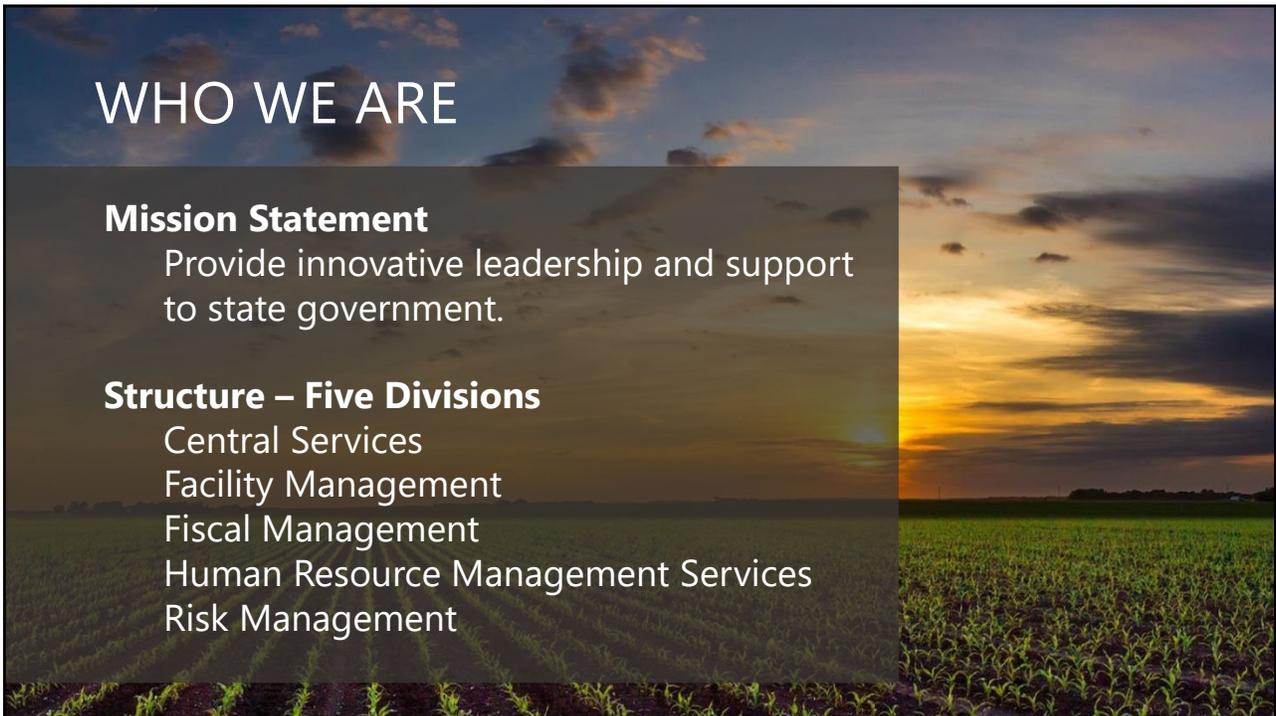
Feel free to contact me either at [jmorrissette@nd.gov](mailto:jmorrissette@nd.gov), my office number at 701-328-4606, or my cell phone at 701-220-6361.



Joe Morrissette, Director  
March 17, 2021

NORTH  
**Dakota** | Management  
and Budget  
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## WHO WE ARE

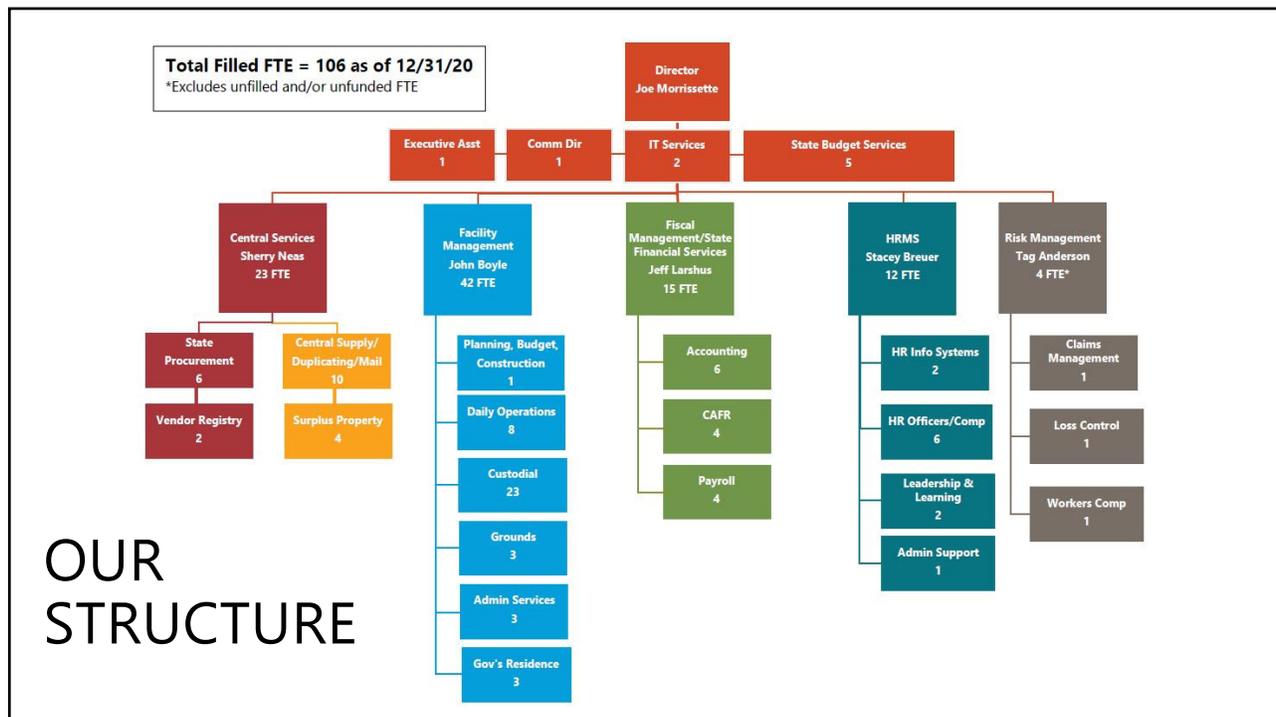
### **Mission Statement**

Provide innovative leadership and support to state government.

### **Structure – Five Divisions**

- Central Services
- Facility Management
- Fiscal Management
- Human Resource Management Services
- Risk Management

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## CENTRAL SERVICES DIVISION

### What We Do

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

### Who We Serve

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

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## FACILITY MANAGEMENT DIVISION

### What We Do

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

### Who We Serve

- State agencies
- The public

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## FISCAL MANAGEMENT DIVISION

### What We Do

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

### Who We Serve

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

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## HUMAN RESOURCE MANAGEMENT SERVICES

### What We Do

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

### Who We Serve

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

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## RISK MANAGEMENT DIVISION

### What We Do

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

### Who We Serve

- State agencies and institutions
- State team members
- Citizens

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# 2019-21 ACCOMPLISHMENTS



## Team member communications and training

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



## Efficiency through new technology

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



## Facilities

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



## Fiscal management

- ✓ Developed 10-year facility maintenance plans
- ✓ Synced budget documents to legislative base for improved clarity
- ✓ Managed distribution and reporting of \$1.25 B federal Coronavirus Relief Fund
- ✓ Generated p-card rebate of \$2.8 million in FY20



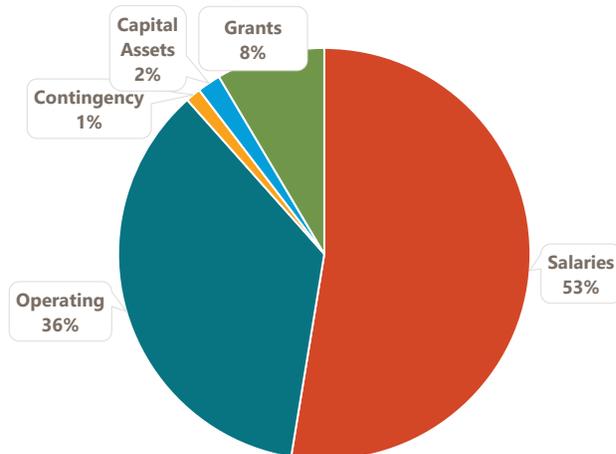
## Efficiency through centralization

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

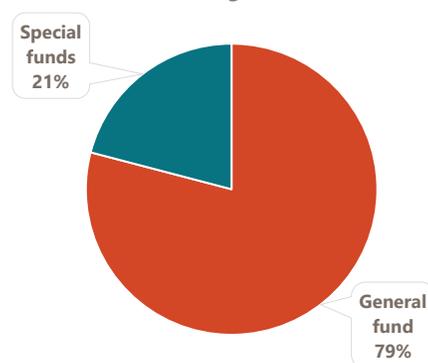
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# OMB LEGISLATIVE BASE BUDGET

2019-21 Appropriation - \$41.7 Million

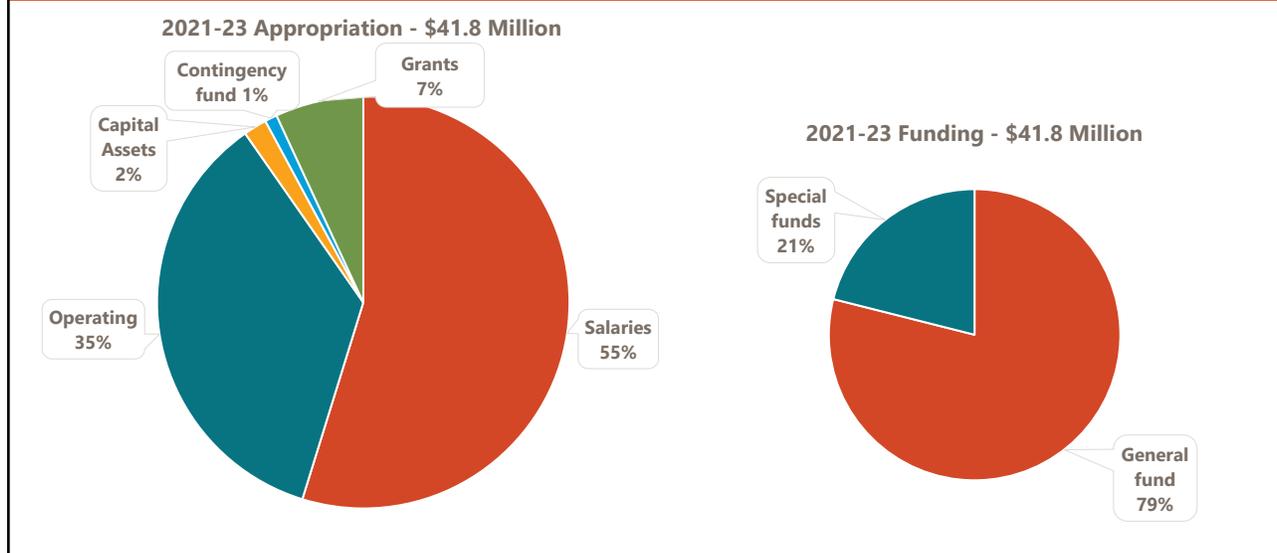


2019-21 Funding - \$41.7 Million



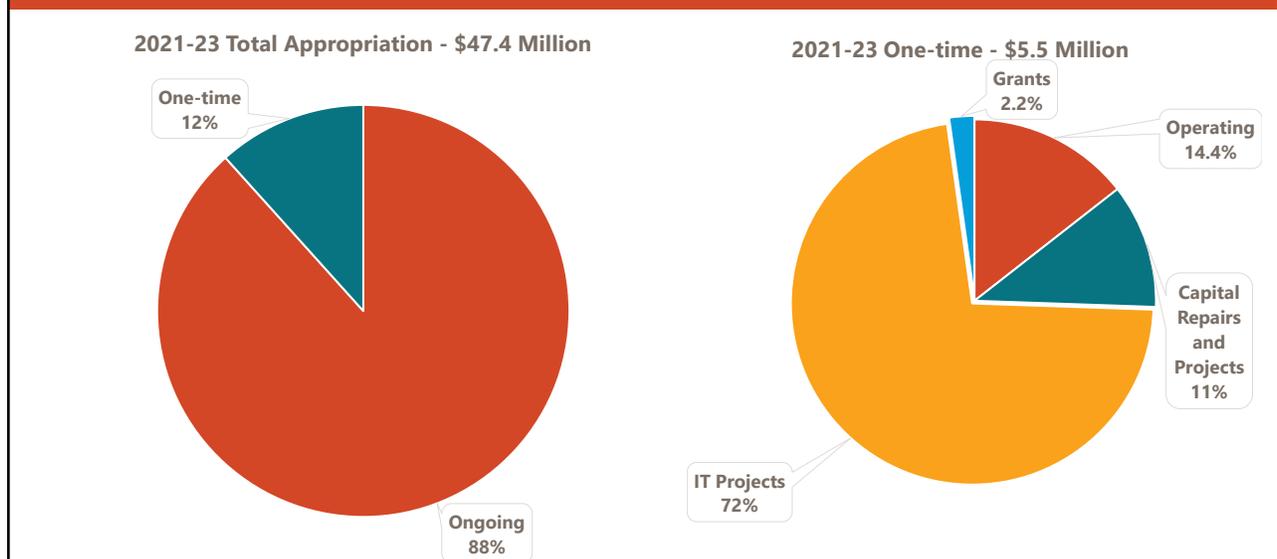
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## OMB BUDGET - HOUSE VERSION – ONGOING EXPENDITURES - .4% INCREASE



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## OMB BUDGET - HOUSE VERSION - ONGOING AND ONE-TIME EXPENDITURES



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## 2021-23 GOALS AND OBJECTIVES



### Improve team member communications and training

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



### Improve efficiency through new technology

- Procurement automation system
- New state budgeting system
- PeopleSoft travel and expense module



### Improve facilities

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



### Improve efficiency through unification

- Printing and mailing consolidation with additional agencies
- Payroll administration consolidation with additional small agencies
- HR services consolidation with additional small agencies
- Procurement consolidation with additional small agencies
- Study and analyze facility management opportunities for consolidation and efficiency

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## GOALS AND OUTCOMES

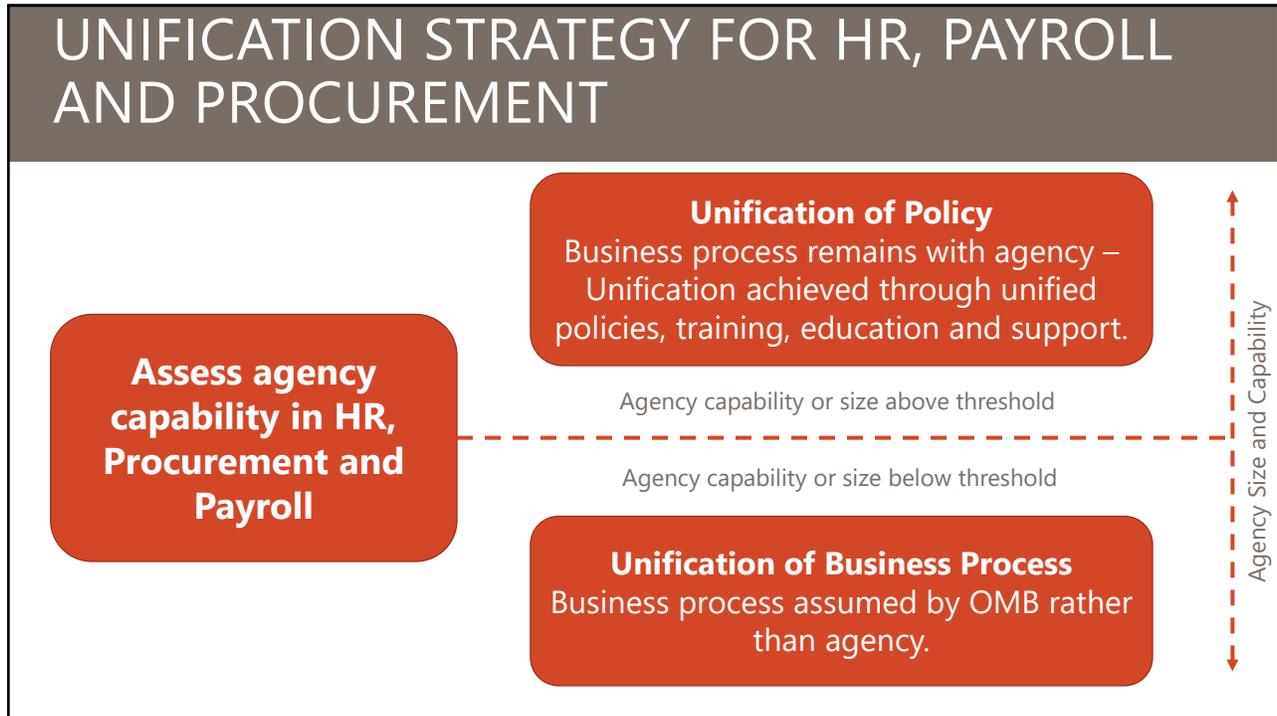
Improved Efficiency/Reduced Costs

Increased Consistency

Operational Improvement

Unification of  
processes,  
policies and  
operations.

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## BUDGET CHANGES INCLUDED IN HOUSE VERSION

We ask your support for the following changes to the legislative base level included in Engrossed House Bill No. 1015.

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**BUDGET  
CHANGES**  
IT SYSTEM UPGRADES  
AND REPLACEMENTS

- **New state budget system**
  - One-time system acquisition and implementation
    - \$1,230,100 funded from SIIF
  - Ongoing costs for maintenance and updates
    - Biennial cost of \$403,000 funded from the general fund
    - Less than the \$429,688 biennial maintenance and hosting costs associated with the current budget system
- **eProcurement automation system**
  - One-time system acquisition and implementation
    - \$2,021,204 funded from SIIF
  - Ongoing costs for maintenance and updates
    - Biennial cost of \$152,000 funded from general fund
- **Building access automation system**
  - Phase one - one-time system upgrade costs
    - \$518,800 funded from Capitol Building Fund
    - Total project cost of \$800,000

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- **Capitol Building Fund expenditures for repairs and projects - \$1.65 million**
  - \$500,000 for exterior and interior wayfinding signage
  - \$500,000 for parking lot and road repairs, mechanical system repairs, and other miscellaneous repairs on the capitol complex
  - \$300,000 for special assessments
  - \$350,000 for facility management consolidation and efficiency study



**BUDGET  
CHANGES**  
CAPITAL REPAIRS AND  
EXPENDITURES

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**BUDGET  
CHANGES**  
IMPROVED SERVICE  
DELIVERY

Repurposing of 4 vacant FTE to expand OMB services:

- Additional funding of \$215,693 to fully fund vacant positions
- 1 additional HR officer to provide services to small agencies without dedicated internal HR staff, centralize the state leave sharing program and better meet the demands from agencies requesting help with HR issues
- 3 additional procurement officers to expand procurement services, manage the eProcurement system, provide additional services to small agencies without dedicated internal procurement staff, and provide more oversight of the procurement process

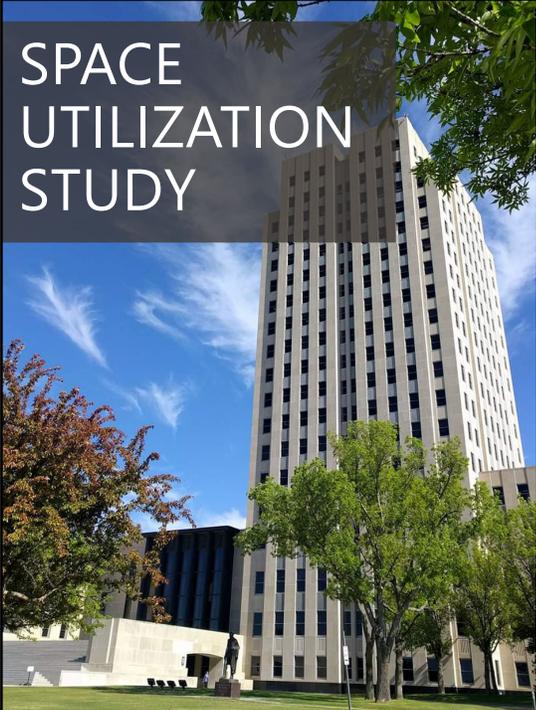
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- Reduced appropriation (included in House version):
  - Reduced by \$100,000, from \$500,000 to \$400,000
  - Current appropriation of \$500,000 has not been used
- Borrowing authority alternative (not included in House version):
  - Executive budget proposed 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
  - Borrowing authority would avoid the need for a contingency fund appropriation



**BUDGET  
CHANGES**  
CONTINGENCY FUNDING

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## SPACE UTILIZATION STUDY

### Section 23 – Space Utilization and Rent Study

- Added by House in lieu of proposed change to Capitol complex rent model
- Capitol complex master plan updated during 2019-21
- Rent model change would have helped maximize space utilization
- We prefer moving forward with the rent model change as proposed, but support the proposed legislative study

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## CARRYOVER AUTHORITY

### Section 20 – Fiscal Management

- Recurring section included in introduced bill and OMB bills from previous sessions
- Allows any unspent funds in Fiscal Management division to be carried forward to develop and maintain statewide accounting, management and payroll systems

### Section 21 – State Student Internship Program

- COVID resulted in reduced expenditures during 2019-21
- Added by House to allow carryover to be used to continue this program
- \$125,000 estimated turnback added to \$100,000 new appropriation to allow the program to continue at \$225,000 for 2021-23

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## CARRYOVER AUTHORITY

### Section 22 – State Facilities Assessment

- \$500,000 appropriation for 2019-21 used for:
  - Condition assessment of select state buildings
  - Development of space utilization alternatives
  - Update to Capitol complex master plan
  - Approximately \$200,000 will be unspent
    - Contracted services related to proposed space utilization study, or
    - Continue building assessment and space utilization work if legislative study is not prioritized

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## OTHER SECTIONS

- Section 3 – Community Services Supervision Fund
- Section 10 – Risk Management Fund – Claims payment
- Section 11 – State compensation adjustments
- Section 12 – Transparency site – Political subdivision info
- Section 13 and 14 – Procurement statutory cleanup
- Section 19 – Repeal of State Employee Compensation Commission

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# REQUESTED CHANGES TO THE HOUSE VERSION

We ask your consideration of the following changes to  
Engrossed House Bill No. 1015.

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- IT Unification:
  - Transfer of 4 FTE positions from OMB to NDIT
    - Desktop Support Specialist
    - IT Coordinator/Network Specialist
    - Human Resources Information System Manager
    - Business Analyst I
  - Transfer of funding within OMB budget
    - Reduction of \$845,545 to salaries and wages line item
    - Increase of \$845,545 to operating expenses line item to pay NDIT charges for services
- HR Unification:
  - Transfer of 2 FTE positions from NDIT to OMB
  - Transfer of \$425,000 from NDIT to OMB



**BUDGET  
CHANGES**  
UNIFICATION OF  
SERVICES

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## BUDGET CHANGES

### CAPITOL BUILDING IMPROVEMENTS

- **Extraordinary repairs**
  - OMB Request for \$900,000; \$500,000 included in House version
  - Would not allow for electrical and mechanical improvements to Capitol during the 2021-23 biennium
- **Space reconfiguration**
  - Executive budget included \$5.5 million; \$0 included in House version
  - Would allow reconfiguration and remodeling to best utilize Capitol complex space and provide high ROI
- **Brynhild Haugland Room**
  - Executive budget included \$500,000; \$0 included in House version
  - Would improve access and functionality of the largest meeting room in the Capitol

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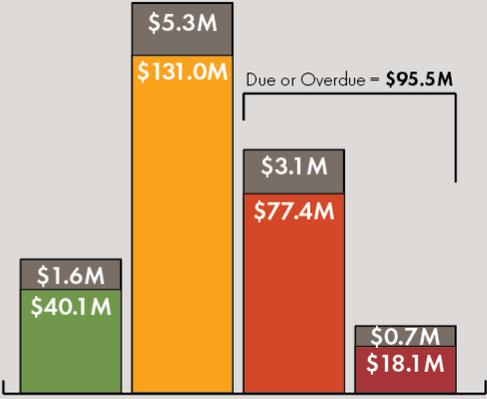
## STATE FACILITY MAINTENANCE AND REPAIR PROJECTS

Executive budget proposed \$130.5 million for critical state building maintenance and repair projects identified through 2019-2020 real estate study and condition assessment

#### PRIORITIZATION DEFINITIONS

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

#### IDENTIFIED NEEDS SUMMARY



Priority Level	Base Value	Top Value
Acceptable	\$40.1M	\$1.6M
Caution	\$131.0M	\$5.3M
Alert	\$77.4M	\$3.1M
Alarm	\$18.1M	\$0.7M
<b>Due or Overdue</b>		<b>\$95.5M</b>

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## CONTINGENCY BORROWING AUTHORITY

### Emergency Commission Borrowing Authority

- This proposal would allow 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.

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## SHARED SERVICES AUTHORITY

### Shared Services Fund

- This proposal would create 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.

#### *Example:*

- *Two agencies are collocated and could find cost savings through sharing costs for a 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.*
- *Only one copier is purchased or leased, rather than two.*

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## BUSINESS PROCESS IMPROVEMENT BORROWING

### Business Process Improvement Borrowing

- This proposal would create 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; no new appropriation would be required to repay the loan.
- Long-term savings would benefit the state in subsequent bienniums.

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## STATE PERSONNEL BOARD REPEAL



- OMB proposes the repeal of 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.
- 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.

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**Section 11 – Provides legislative guidelines for state team member compensation adjustments**

- Executive budget proposal was 2%/2%, with agency flexibility
- Request to include language similar to 2019 SB2015:
  - Agencies may use salaries and wages funding available due to vacant positions and employee turnover to provide additional salary increases for selected employees to address salary compression issues or to enhance merit-based increases for employees essential to the effective operations of the agency.



**STATE  
TEAM MEMBER  
COMPENSATION**

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## OTHER TESTIMONY IN SUPPORT OF PASS-THROUGH GRANTS

▪ **Guardianship grants**

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

▪ **Prairie Public Broadcasting**

- John Harris, President and CEO, Prairie Public Broadcasting

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



**2019-21 and 2021-23 Biennium Comparison**

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

**2019-21 and 2021-23 Biennium Comparison**

	2021-23 Base Level	House Changes	2021-23 House Version	Difference Between House and Rec	2021-23 Budget Recomm.	On-going	One-time
<b>Salaries and wages</b>	\$21,903,816	\$893,187	\$22,797,003	\$769,660	\$22,027,343	\$22,027,343	\$0
<b>Operating expenses</b>	\$14,937,426	\$492,702	\$15,430,128	(\$1,334,602)	\$16,764,730	\$16,114,730	\$650,000
<b>Contingency fund</b>	\$500,000	(\$100,000)	\$400,000	\$400,000	\$0	\$0	\$0
<b>Capital assets</b>	\$767,125	\$4,767,494	\$5,534,619	(\$138,000,000)	\$143,534,619	\$764,515	\$142,770,104
<b>Grants</b>	\$54,000	(\$54,000)	\$0	\$0	\$0	\$0	\$0
<b>Guardianship grants</b>	\$1,950,000	\$100,000	\$2,050,000	\$100,000	\$1,950,000	\$1,950,000	\$0
<b>Community service grants</b>	\$350,000	(\$100,000)	\$250,000	(\$47,500)	\$297,500	\$297,500	\$0
<b>Prairie Public Broadcasting</b>	\$1,200,000	(\$400,000)	\$800,000	(\$220,000)	\$1,020,000	\$1,020,000	\$0
<b>State student internship</b>	\$0	\$100,000	\$100,000	(\$100,000)	\$200,000	\$0	\$200,000
<b>Total Funding</b>	<b>\$41,662,367</b>	<b>\$5,699,383</b>	<b>\$47,361,750</b>	<b>(\$138,432,442)</b>	<b>\$185,794,192</b>	<b>\$42,174,088</b>	<b>\$143,620,104</b>
<b>General Fund</b>	\$32,915,852	\$192,992	\$33,108,844	\$1,212,064	\$31,896,780	\$28,095,476	\$3,801,304
<b>Other Funds</b>	\$8,746,515	\$5,506,391	\$14,252,906	(\$139,644,506)	\$153,897,412	\$14,078,612	\$139,818,800
<b>FTE</b>	112.00	0.00	112.00	4.00	108.00		