

TESTIMONY OF

Joe Morrisette, Director of OMB

Chairman Bekkedahl and members of the Senate Appropriations Committee. I am Joe Morrisette, the Director of the Office of Management and Budget.

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

- OMB organizational chart
- Filled and vacant positions
- Our current budget and recommended budget
- 2021-23 accomplishments
- Goals for the 2023-25 biennium
- Requested changes to our base budget for the 2023-25 biennium
- Descriptions of the various sections included in the executive bill draft for SB2015 and requested to be incorporated into the Senate version of SB2015

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 jmorrisette@nd.gov, my office number at 701-328-406, or my cell phone at 701-220-6361.

SB 2015 TESTIMONY SENATE APPROPRIATIONS

Joe Morrisette, Director
Thursday, January 5, 2023

OUR MISSION

To provide innovative leadership and support to state government.

OUR VISION

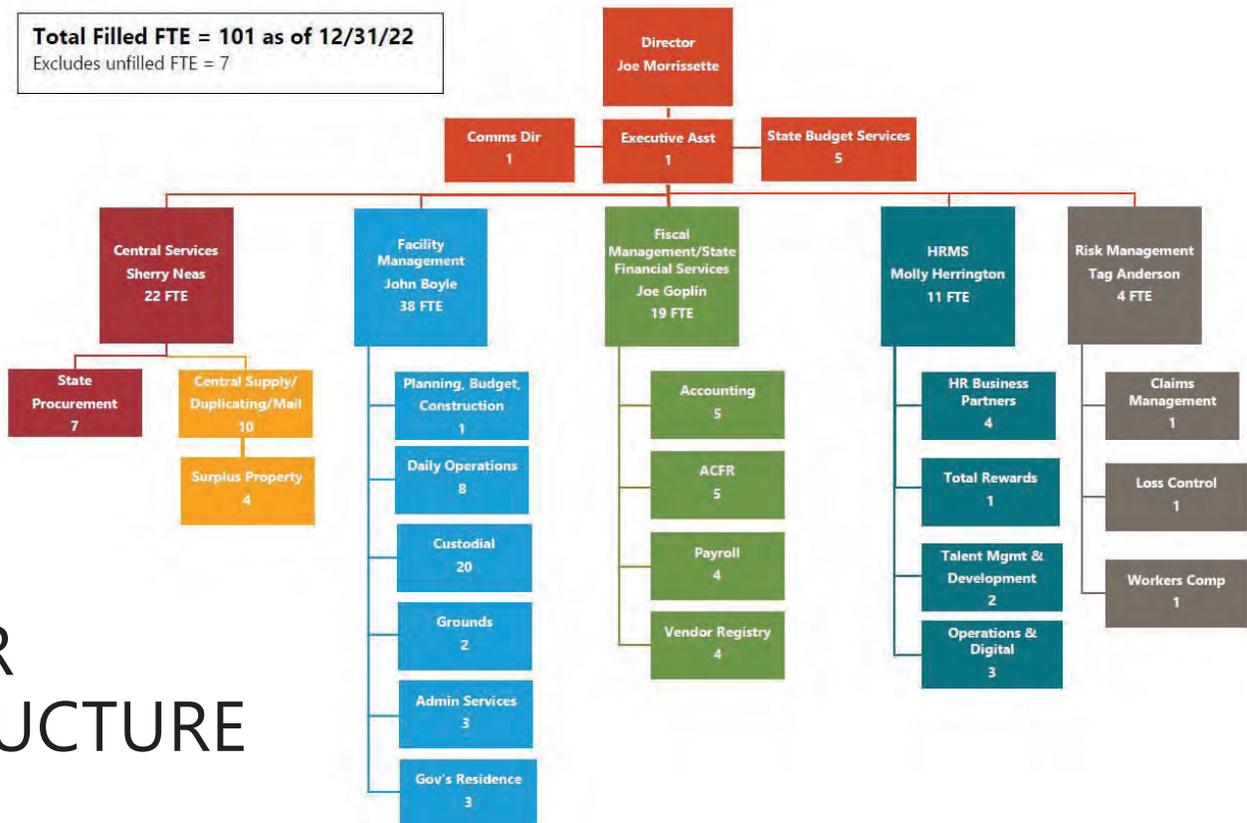
To set the standard for leadership and expertise in state government.

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

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



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 728 team members in 2022.
- ✓ Launched online/on-demand procurement training.
- ✓ Lead the ongoing development of universal employment policies (37 to date).



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 automate notification and approval.
 - Recruiting Solutions had 5,410 job postings and 58,277 employment applications were submitted.
 - Securely enabled Direct Deposit self-service.
- ✓ Implemented LinkedIn Recruiter to advertise Team ND job.
- ✓ Completed phase 1 of Enterprise Procurement Automation Project.



Federal fund distribution

- ✓ Managed the distribution of over \$25 million federal American Rescue Plan Act funding to cities and assisted them in meeting reporting obligations.

2021-23 ACCOMPLISHMENTS



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.

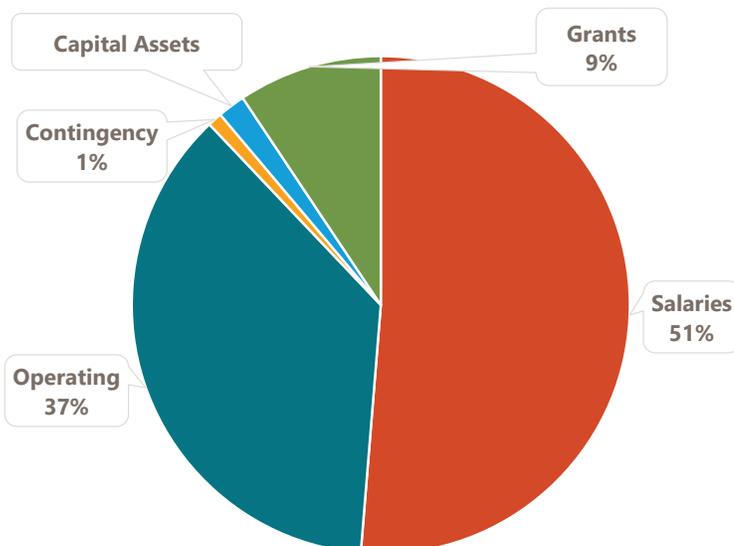


Efficiency through centralization

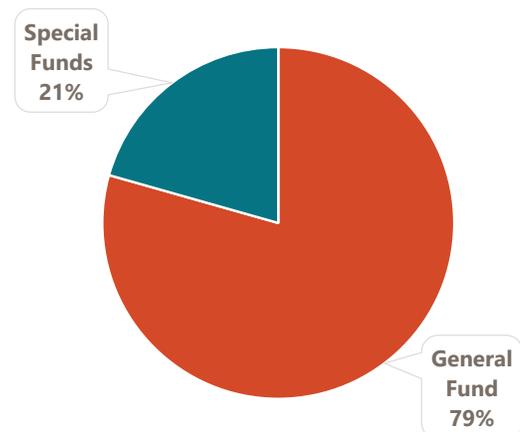
- ✓ Advanced the implementation of HR 2.0, creating a more effective and collaborative HR system.
- ✓ Collaborated with higher education to plan for the selection of a shared online procurement solution.
- ✓ State Surplus Property transferred over \$15M state and federal surplus property to North Dakota government entities and eligible organizations.
- ✓ 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

OMB LEGISLATIVE BASE BUDGET – 2021-23

2021-23 Appropriation - \$42.8 Million

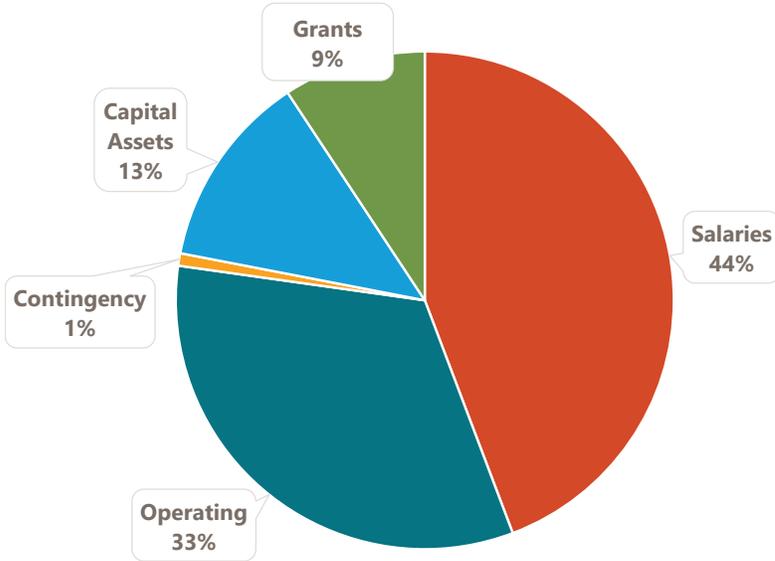


2021-23 Funding - \$42.8 Million

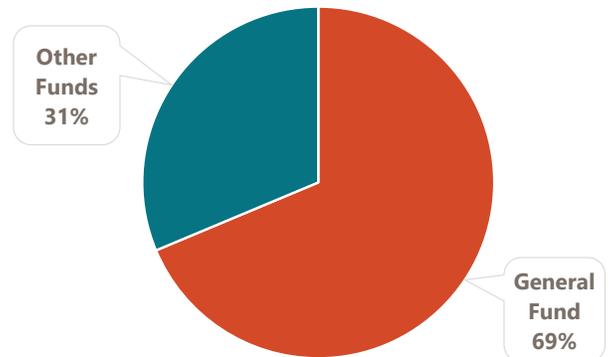


OMB TOTAL BUDGET – 2021-23 ONGOING AND ONE-TIME EXPENDITURES

2021-23 Appropriation - \$49.5 Million

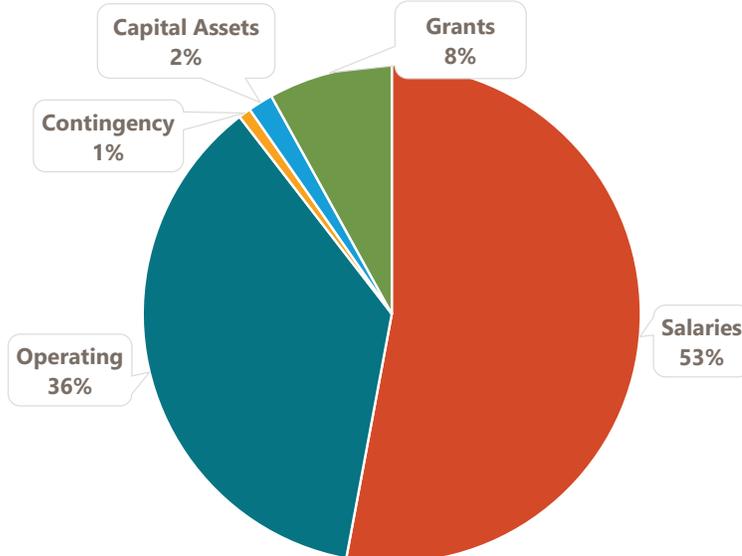


2021-23 Funding - \$49.5 Million

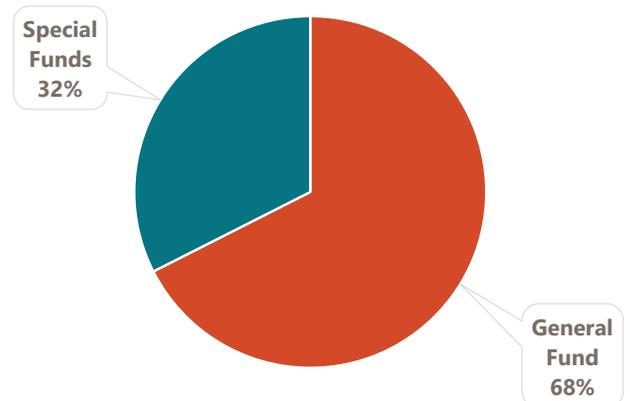


OMB PROPOSED BUDGET – 2023-25 ONGOING EXPENDITURES

2023-25 Appropriation - \$49.7 Million

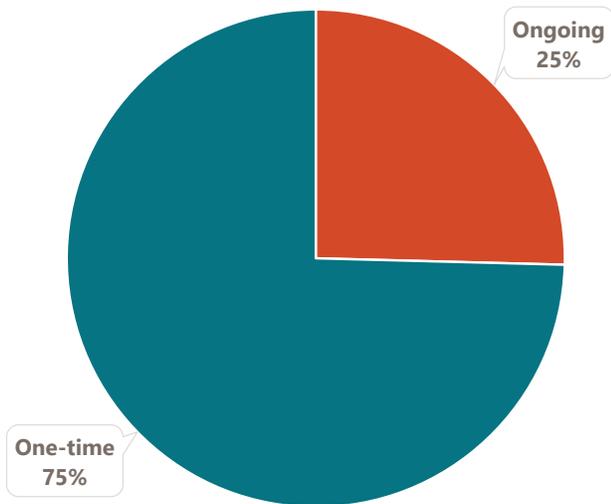


2023-25 Funding - \$49.7 Million

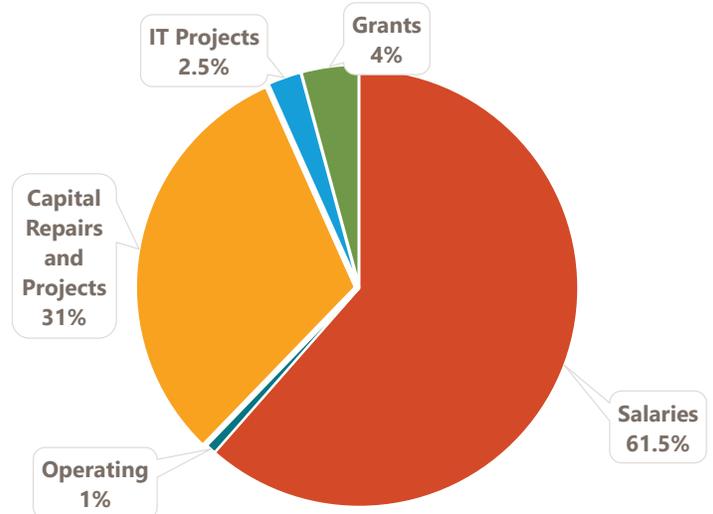


OMB PROPOSED BUDGET – 2023-25 ONGOING AND ONE-TIME EXPENDITURES

2023-25 Total Appropriation - \$195.8 Million



2023-25 One-time - \$146.1 Million



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.
- Continue procurement centralization.
- 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.
- Develop talent management program.
- Develop Total Rewards Analysis Database.
- Improve measurement of total rewards value.
- Leverage total rewards to increase team member engagement.
- 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 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.
- ❑ Implement an agency-facing Microsoft Teams to centralize communications with OMB and a one-stop-shop for all documentation.
- ❑ 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.

GOALS AND OUTCOMES

Improved Efficiency/Reduced Costs

Increased Consistency

Operational Improvement

Centralization of processes, policies and operations.

CENTRALIZED SUPPORT STRATEGY FOR HR, PAYROLL, COMMUNICATIONS AND PROCUREMENT



BUDGET CHANGES IT SYSTEM UPGRADES AND REPLACEMENTS

- 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 access automation system
 - Phase two – 2023-25 biennium – \$800,000
 - Phase one – 2021-23 biennium - \$518,800
 - Total project cost of \$1.3M

- \$100,000 for accessibility assessment of state buildings (Capitol complex and other Bismarck locations)
- \$500,000 for improvements to the Brynhild Haugland Room
- \$12M boiler replacement project in Capitol
- \$4M for window replacement in Capitol and Legislative Wing
- \$451,000 for demolition and site reclamation of State Office Building

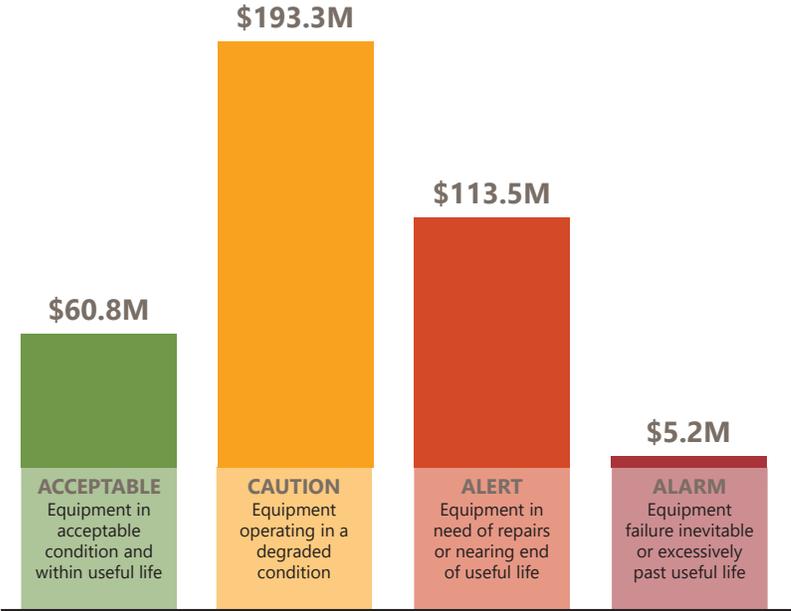


**BUDGET
CHANGES**
CAPITOL
EXTRAORDINARY
REPAIRS



**BUDGET
CHANGES**
STATEWIDE DEFERRED
MAINTENANCE

- \$20 M deferred maintenance pool of funds that may be transferred to state agencies on a prioritized basis.



- \$5.5M to create an efficient workplace environment in the Capitol and Judicial Wing. 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

SPACE UTILIZATION OPTIMIZATION



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 per square foot
 - Funding added in executive budget for all general fund agencies to pay rent based on current occupied space
 - Offsetting general fund savings in Facility Management salary budget, which would now be funded from special funds
- Outcome
 - Agencies will be incentivized to efficiently manage space utilization and benefit from future rent savings if space is reduced
 - Better utilization of existing space has positive return by minimizing use of offsite space and makes best use of state resources

- Rent model change results in additional rent collection
- Provides opportunity to fund Facility Management (FM) from facility rent payments and move toward self-funded facility services model
- Net amount deposited in general fund remains nearly unchanged:

▪ 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
FACILITY MANAGEMENT
FUNDING SOURCE
CHANGE**



**BUDGET
CHANGES
CENTRALIZED SERVICES
AND SUPPORT -
FACILITIES**

- Centralized management of leases and construction projects will lead to efficiency and cost savings
- OMB has two vacant Facility Management positions that can be repurposed for this use
- 2 FTE
 - **Statewide Lease Coordinator**
 - Will manage all state agency leases, help determine appropriate space utilization, negotiate lease rates, facilitate sharing of space and service contracts.
 - **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.
- Total additional salaries and benefits requested = \$396,888



BUDGET CHANGES CENTRALIZED SERVICES AND SUPPORT - COMMUNICATIONS

- Centralized communications support for smaller agencies with no communications professional on staff
- 2 FTE
 - **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.
- Total additional salaries and benefits requested = \$350,722

- OMB's PeopleSoft, integration, reporting and security experts who support all state agency fiscal team members
- 2 FTE
 - **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.
- Total additional salaries and benefits requested = \$381,724



BUDGET CHANGES CENTRALIZED SERVICES AND SUPPORT - FISCAL



BUDGET CHANGES CENTRALIZED SERVICES AND SUPPORT - HR

- 5 FTE
 - **Talent Acquisition Manger**
 - 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.
- Total additional salaries and benefits requested = \$1,162,778

- 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
- 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
- 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



BUDGET CHANGES CENTRALIZED SERVICES AND SUPPORT - HR



BUDGET CHANGES

TOTAL REWARDS PACKAGE



TARGETED EQUITY PACKAGE

EQUITY

one-time – prior to July 1, 2023

Addresses:

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

Cost: \$90M 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: \$210.86M Total Funds
(\$87.7M = General Funds)

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

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

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

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.

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 costs

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

PASS-THROUGH GRANTS

- Two grants in the OMB budget are pass-through grants
- Supporters of these programs will be available to testify before the Senate Appropriations – Government Operations Division
 - **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