

**Office of Management and Budget
Budget No. 110
House Bill Nos. 1015, 1050, 1069, Senate Bill Nos. 2018, 2023**

	FTE Positions	General Fund	Other Funds	Total
2005-07 executive budget (bills as introduced)	130.50	\$22,269,688	\$14,838,281	\$37,107,969
2005-07 legislative appropriations	131.50	20,156,011	46,655,319	66,811,330
Legislative increase (decrease) to executive budget	1.00	(\$2,113,677)	\$31,817,038	\$29,703,361
Legislative increase (decrease) to 2003-05 appropriations	(30.50) ¹	\$415,500	\$38,766,843	\$39,182,343 ²

¹The number of FTE positions for the 2003-05 biennium do not reflect an additional .5 FTE position, relating to consolidation of information technology services, transferred from the Information Technology Department to the Office of Management and Budget and a reduction of 30 FTE positions transferred--29 FTE positions to the Division of Emergency Management and 1 FTE position to the Information Technology Department--as a result of the transfer of State Radio from the Office of Management and Budget to the Division of Emergency Management. There is a decrease of 1 FTE position from the 2003-05 biennium as compared to the 2005-07 biennium, net of the State Radio and Information Technology consolidation transfers.

²The funding for the 2003-05 biennium includes funding of \$8,214,488, of which \$3,976,218 is from the general fund, for State Radio operations and \$129,366 from the general fund relating to 1 FTE position transferred to the Information Technology Department.

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Office of Management and Budget is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1050.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Added funding for state employee salary increases		\$39,215	\$9,827	\$49,042
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$559.15 to \$553.95 per month per policy		(12,892)	(3,332)	(16,224)
Removed funding for statewide market equity compensation adjustments for classified state employees		(2,500,000)	(2,500,000)	(5,000,000)
Removed funding for a Capitol complex energy savings program. The program is anticipated to proceed, but spending authority is not needed because it will be funded by a third party.			(1,800,000)	(1,800,000)
Added funding for grants to provide schools with access to North Central Council of School TV programming		210,000		210,000
Added federal funding for Risk Management Division to receive a			107,200	107,200

homeland security grant for server hosting services at the Information Technology Department

Provided funding for defraying the cost of paying military service retirement credit (HB 1069)			3,343	3,343
Added funding and 1 FTE position for establishing and maintaining a state procurement web site (SB 2018)	1.00	150,000		150,000
Added funding authority for the Office of Management and Budget to borrow and repay up to \$15 million from the Bank of North Dakota for grants to centers of excellence (see Centers of Excellence section below)			31,000,000	31,000,000
Approved an additional \$5 million of Bank of North Dakota loan proceeds to be used for centers of excellence grants if the \$15 million loan is not adequate for the 2005-07 biennium (see Centers of Excellence section below)			5,000,000	5,000,000
Approved \$150,000 from the general fund to conduct a study regarding expansion of the Heritage Center. The Governor vetoed this section.				
Total	<u>1.00</u>	<u>(\$2,113,677)</u>	<u>\$31,817,038</u>	<u>\$29,703,361</u>

FTE Changes

The 2005-07 appropriation included funding for 131.5 FTE positions, a decrease of 30.5 FTE positions from the 2003-05 authorized level of 162 FTE positions. The Legislative Assembly did not change the executive recommendation to add 2 FTE positions--a procurement officer position for Central Services and an accounting manager position in the Fiscal Management Division. A total of 4 FTE security officer positions were transferred from the Office of Management and Budget to the Highway Patrol because security services will be provided by the Highway Patrol in the 2005-07 biennium. The Legislative Assembly added 1 FTE position to the Office of Management and Budget in Senate Bill No. 2018 for establishing and maintaining a state procurement web site. In addition, there was a reduction of 29.5 FTE positions from the 2003-05 biennium relating to the transfer of 29 FTE positions to the Division of Emergency Management and 1 FTE position to the Information Technology Department, as a result of the transfer of State Radio from the Office of Management and Budget to the Division of Emergency Management, and the addition of a .5 FTE position transferred from the Information Technology Department relating to consolidation of information technology services.

State Memberships

The Legislative Assembly did not change the executive recommendation which included \$477,860 from the general fund for state memberships and related expenses as follows:

Commission on Uniform State Laws (This budget includes travel costs, conference registration, and annual dues.)	\$80,000
Council of State Governments	143,100
Government Accounting Standards Board	4,000
Western Governors' Association	74,300
National Governors Association	72,000
Midwestern Governors Association	5,000
National Lieutenant Governors Conference	1,200
Education Commission of the States	98,260
Total dues and memberships	\$477,860

Capital Improvements

The Legislative Assembly removed \$1.8 million of spending authority for a Capitol complex energy savings program. The program is anticipated to proceed, but spending authority is not needed because it will be funded by a third party. The Legislative Assembly did not change the executive recommendation for a new fire suppression system for the Capitol tower and legislative wing. The source of the funding is from bond proceeds as authorized in Senate Bill No. 2023. The total funding authorized for capital improvements and extraordinary repairs is \$3,959,000, of which \$804,000 is funded from the general fund.

Fire suppression system (bonding)	\$3,155,000
New parking area	245,000
Building automation system	80,000
Pavers	40,000
Memorial Library elevator controller	50,000
Judicial wing parking lot repair	150,000
Governor's residence maintenance	20,000
Electrical improvements	70,000
Building automation	40,000
Special assessment	74,000
Other projects	35,000
Total	\$3,959,000

Transfers to the General Fund

Special fund transfers - House Bill No. 1015 provides for the following special fund transfers to the general fund:

Lands and minerals trust fund (Section 7)	\$6,800,000
Permanent oil tax trust fund (Section 32)	55,300,000
Total	\$62,100,000

Bank of North Dakota transfers - Section 9 provides for a transfer of \$60 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the general fund, the same as the executive recommendation. The section provides that the transfer may only be made to the extent the transfer does not reduce the Bank's capital structure below \$150 million.

Transfer to the Budget Stabilization Fund

Budget stabilization fund - The Legislative Assembly did not approve the executive recommendation to repeal the section providing that any amount in the general fund in excess of \$65 million at the end of any biennium must be transferred to the budget stabilization fund; therefore, the estimated amount that will be transferred to the budget stabilization fund at the end of the 2003-05 biennium is \$64,467,187.

Centers of Excellence

The Legislative Assembly authorized, in Senate Bill No. 2018, the Office of Management and Budget to borrow up to \$15 million from the Bank of North Dakota and to distribute the funds to the centers of excellence as directed by the Centers of Excellence Commission. If the \$15 million is not adequate funding for the 2005-07 biennium, the Office of Management and Budget may borrow an additional \$5 million from the Bank to be used for centers of excellence grants, subject to Emergency Commission and Budget Section approval. A section of legislative intent was added providing that the Legislative Assembly intends to provide a total of \$50 million for the centers of excellence during the 2005-07 biennium and future bienniums.

Any loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77 million of oil tax revenues has been received by the general fund, of which \$71 million will be retained in the general fund and \$6 million transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6 million are transferred into the fund, the office of management and budget may use 50 percent of any additional transfers for repaying the Bank loan and interest, the total of which may not exceed \$16 million during the 2005-07

biennium. Section 44 of Senate Bill No. 2018 amends statutory provisions relating to the permanent oil tax trust fund to allow transfers from the general fund to the permanent oil tax trust fund before the end of each biennium.

Other Sections in Bill

Elected officials' salaries - The Legislative Assembly added sections in House Bill No. 1015 making the statutory changes to provide elected officials and Supreme Court and district judges a 4 percent salary increase for each year of the biennium. The salary for the Governor and Lieutenant Governor were not changed from the proposal included in the executive recommendation of 2 percent for the first year of the biennium and 4 percent for the second year.

Approval of calendar requirements for schools - Section 12 amends North Dakota Century Code (NDCC) Section 15.1-06-06 relating to required approval of public and nonpublic school calendar requirements by the Superintendent of Public Instruction.

Expense reimbursement of members of the Legislative Assembly - Section 17 amends NDCC Section 54-03-20 to provide for a member of the Legislative Assembly to elect to be reimbursed for lodging during legislative sessions at a rate less than the amount to which the legislator is entitled.

Preparation of the budget data - Section 22 amends NDCC Section 54-44.1-06 to provide that appropriation bills prepared by the Office of Management and Budget provide the same funding as approved by the most recently adjourned special or regular session of the Legislative Assembly, with amendments presented to reflect the executive recommendation. In addition, the Office of Management and Budget is to provide the Legislative Assembly with estimated budget information for an additional four-year period beyond the two-year period covered by the executive recommendation. **The Governor vetoed this section.**

Capital construction bill - Section 23 amends NDCC Section 54-44.1-06.1 to provide that the capital construction bill include only projects involving bonding and that all other capital projects be included in draft amendments to the appropriate agency's appropriations bill. **The Governor vetoed this section.**

Emergency services communication systems fees - Section 25 amends NDCC Section 57-40.6-02 relating to voter approval of imposition of fees for emergency services communication systems. If the electors have approved imposition of a fee for emergency services communication systems before July 1, 2005, and the governing body of the city or county has not implemented that fee by June 30, 2005, the approval by the electors remains valid until the fee is implemented and, upon implementation, the fee may be imposed for a six-year period.

Effective date of the wheat tax levy - Section 26 changes the effective date for the increase in the wheat tax levy from the start of the next calendar quarter beginning 30 days after the effective date of the Act to July 1, 2005.

Composite schedules for teacher salaries - Section 27 repeals the section in Senate Bill No. 2015, the appropriations bill for the Department of Corrections and Rehabilitation, relating to preparation of future composite schedules for teacher salaries.

State employee compensation study - Section 28 provides for a Legislative Council study of state employee compensation, including the human resources system, retirement benefits, health insurance benefits, and the feasibility and desirability of implementing equity pay, merit pay, and pay for performance compensation systems.

Department of Corrections and Rehabilitation employee salaries study - Section 29 provides for a Legislative Council study of employee salaries of the Department of Corrections and Rehabilitation.

Pillars in Memorial Hall - Section 30 provides legislative intent that the Office of Management and Budget restore the pillars in the Memorial Hall of the State Capitol prior to December 1, 2006.

Highway fund transfer to special road fund - Section 31 requires the Department of Transportation to transfer funds from the state highway fund to the special road fund to make available \$500,000 in the special road fund for projects during the 2005-07 biennium.

North Dakota Vision Services - School for the Blind appropriation - Section 34 provides a \$20,000 general fund appropriation to the North Dakota Vision Services - School for the Blind for providing additional funding for temporary salaries.

Oil put options - Section 35 provides authority for the Office of Management and Budget to purchase oil put options.

Lake Region child support enforcement unit - Section 36 provides a \$65,000 general fund appropriation to the Department of Human Services for providing additional incentive money to the Lake Region child support enforcement unit.

Legislators' Forum dues - Section 37 provides an appropriation of \$20,000 from the water development trust fund to the Legislative Assembly for paying North Dakota's contribution to the Legislators' Forum for Manitoba, Minnesota, North Dakota, and South Dakota.

Disclosure of public records - Sections 38 and 45 provide for Section 7 of House Bill No. 1286, relating to disclosure of public records and open records requests, to be an emergency.

Fuels tax refunds by tribal members or entities - Section 39 provides legislative intent that Sections 13 and 16 of Senate Bill No. 2012 may not be construed to preclude claims for motor vehicle and special fuel tax refunds by tribal members or tribal entities for taxes on purchases made before January 1, 2005.

Streamlined sales tax agreement - Section 40 changes the effective date of streamlined sales tax agreement compliance provisions included in House Bill No. 1043 from January 1, 2006, to October 1, 2005.

Department of Corrections and Rehabilitation's incarceration and correctional facility needs study - Section 41 amends the Legislative Council study, as included in Senate Bill No. 2015, relating to the membership and chairman of the interim committee.

State Hospital employee positions authorization - Section 42 authorizes up to 21 additional FTE positions at the State Hospital for the substance abuse treatment pilot program authorized in Senate Bill No. 2373. The State Hospital is required to receive approval from the Emergency Commission and the Budget Section prior to hiring the additional positions.

Lake Region State College - North Hall - Section 43 authorizes a change in the scope of the North Hall renovation project approved by the 2003 Legislative Assembly.

University of North Dakota School of Medicine and Health Sciences performance audit - Section 44 provides that the State Auditor's office may not conduct a performance audit of the University of North Dakota School of Medicine and Health Sciences until the completion of the school's accreditation process.

Department of Transportation projects - Section 45 provides that the section in Senate Bill No. 2012, the Department of Transportation appropriations bill, relating to issuing bonds for United States Highway 2 and the Liberty Memorial Bridge is an emergency.

Prairie Public Broadcasting - The Legislative Assembly authorized a \$1,337,138 general fund appropriation for grants to Prairie Public Broadcasting. Section 44 of Senate Bill No. 2015 (2003) provided legislative intent that Prairie Public Broadcasting funding be included in the executive budget as a separate line item in the Office of Management and Budget's budget request for the 2005-07 biennium.

Related Legislation

Bank of North Dakota transfers to the general fund - House Bill No. 1053 provides that if a contingency transfer is made from the Bank of North Dakota to the general fund in response to a projected shortfall of general fund revenues, the director of the Office of Management and Budget must return to the Bank any funds available in the general fund at the end of the biennium, up to the amount of the contingency transfer.

Student loan trust fund transfer - House Bill No. 1152 provides for a transfer of \$9 million from the student loan trust fund to the general fund.

Health care trust fund transfer - House Bill No. 1445 provides for a transfer of \$16.9 million from the health care trust fund to the general fund.

State employee compensation - House Bill No. 1050 provides for state employee salary increases of 4 percent, effective July 1, 2005, and 4 percent, effective July 1, 2006.

Tie bid preference - House Bill No. 1091 provides that in the event that two or more bids contain identical pricing or receive identical evaluation scores, governing bodies of the state's political subdivisions must give preference to bids submitted by North Dakota vendors.

Mileage reimbursement - Senate Bill No. 2058 provides for the mileage reimbursement rate for state officials and employees to be increased from 31 to 37.5 cents per mile.

Lodging and meal reimbursement for state employees - Senate Bill No. 2195 increases the reimbursement for meal allowances--breakfast from \$4 to \$5; lunch from \$6 to \$7.50; and dinner from \$10 to \$12.50--and increases the reimbursement for the in-state lodging allowance from \$45 to \$50 per night.