

Department 110 - Office of Management and Budget
Senate Bill No. 2015

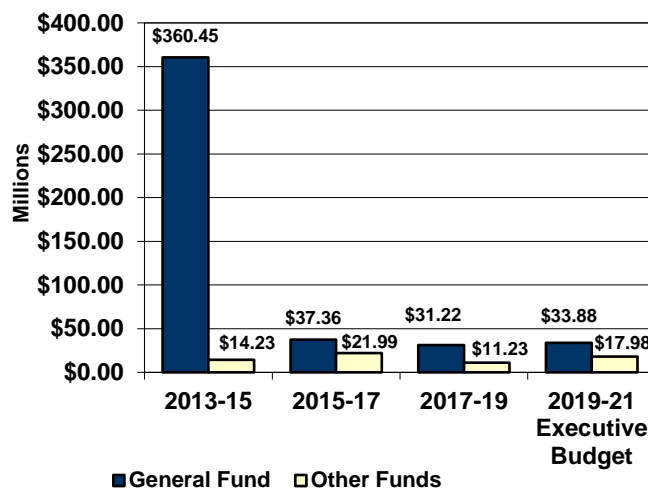
Executive Budget Comparison to Prior Biennium Appropriations

| | FTE Positions | General Fund | Other Funds | Total |
|------------------------------------|---------------|--------------|--------------|--------------|
| 2019-21 Executive Budget | 108.00 | \$33,884,743 | \$17,976,445 | \$51,861,188 |
| 2017-19 Legislative Appropriations | 117.00 | 31,220,260 | 11,234,087 | 42,454,347 |
| Increase (Decrease) | (9.00) | \$2,664,483 | \$6,742,358 | \$9,406,841 |

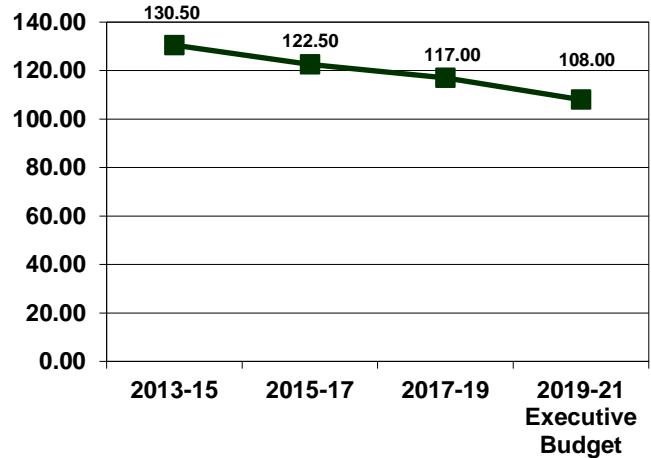
Ongoing and One-Time General Fund Appropriations

| | Ongoing General Fund Appropriation | One-Time General Fund Appropriation | Total General Fund Appropriation |
|------------------------------------|------------------------------------|-------------------------------------|----------------------------------|
| 2019-21 Executive Budget | \$32,364,743 | \$1,520,000 | \$33,884,743 |
| 2017-19 Legislative Appropriations | 30,720,260 | 500,000 | 31,220,260 |
| Increase (Decrease) | \$1,644,483 | \$1,020,000 | \$2,664,483 |

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|--------------|--------------|--------------|
| 2019-21 Executive Budget | \$33,884,743 | \$17,976,445 | \$51,861,188 |
| 2019-21 Base Level | 30,720,260 | 9,434,087 | 40,154,347 |
| Increase (Decrease) | \$3,164,483 | \$8,542,358 | \$11,706,841 |

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

| | General Fund | Other Funds | Total |
|--|--------------|-------------|-------------|
| 1. Provides funding for state employee salary and benefit increases of which \$765,262 is for salary increases, \$393,022 is for health insurance increases, and \$96,792 is for retirement increases. The Senate added funding for salary adjustments of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month. The Senate did not add funding for retirement contribution increases. | \$1,035,987 | \$219,089 | \$1,255,076 |
| 2. Removes 5 FTE positions, including 3 custodians and 2 system mechanics | (\$560,182) | \$0 | (\$560,182) |
| 3. Underfunds salaries and wages | (\$210,252) | (\$600,984) | (\$811,246) |

| | | | |
|--|-------------|-------------|-------------|
| 4. Adds funding to reclassify FTE positions, including a director of recruiting, a director of leadership and learning, a training officer, and a public information officer | \$560,678 | \$0 | \$560,678 |
| 5. Adds funding for temporary employees | \$56,400 | \$0 | \$56,400 |
| 6. Transfers 4 FTE positions, including 1 information technology program administrator, 2 computer networking specialists, and 1 business analyst position, to the Information Technology Department for an information technology unification project resulting in an increase in operating expenses for the agency. The Senate transferred the 4 FTE positions, but adjusted the increase in operating expenses to provide an increase of \$26,475. | \$40,312 | \$0 | \$40,312 |
| 7. Reduces funding for operating expenses primarily related to information technology costs, maintenance, and equipment and supplies | (\$588,483) | (\$247,461) | (\$835,944) |
| 8. Adds funding to contract for custodial and maintenance services | \$640,000 | \$0 | \$640,000 |
| 9. Increases funding for utility costs | \$427,650 | \$0 | \$427,650 |
| 10. Adds funding for information technology costs associated with the state's accounting software and an employee onboarding project | \$483,360 | \$0 | \$483,360 |
| 11. Adds funding for Microsoft Office 365 licensing | \$55,584 | \$21,724 | \$77,308 |
| 12. Reduces funding for the Emergency Commission contingency fund to provide a total of \$500,000 | (\$100,000) | \$0 | (\$100,000) |
| 13. Reduces funding for bond payments | (\$206,352) | \$0 | (\$206,352) |
| 14. Adds one-time funding from the strategic investment and improvements fund for a litigation funding pool. The Senate provided one-time funding of \$2,500,000. | \$0 | \$4,000,000 | \$4,000,000 |
| 15. Adds one-time funding from the strategic investment and improvements fund for a comprehensive assessment of state lands and facilities. The Senate provided one-time funding of \$2,000,000. | \$0 | \$2,430,000 | \$2,430,000 |
| 16. Adds one-time funding from the Capitol building fund for extraordinary repairs, including parking lot repairs (\$600,000), electrical transformer replacement (\$400,000), capitol door refurbishment (\$200,000), cooling equipment replacement (\$200,000), and other unspecified projects (\$500,000) | \$0 | \$1,900,000 | \$1,900,000 |
| 17. Adds one-time funding for a health savings account incentive funding pool. The Senate did not include funding for a health savings account incentive funding pool. | \$800,000 | \$700,000 | \$1,500,000 |
| 18. Adds one-time funding from the risk management fund for an information technology project | \$0 | \$170,000 | \$170,000 |
| 19. Adds one-time funding for special assessments associated with road work on Fourth Street adjacent to the Capitol grounds. The Senate provided one-time funding from the Capitol building fund. | \$320,000 | \$0 | \$320,000 |
| 20. Adds one-time funding for the state student internship program | \$250,000 | \$0 | \$250,000 |
| 21. Adds one-time funding to implement the ethics commission established through voter approval of Constitutional Measure No. 1 in November 2018. The Senate did not include funding in the budget of the Office of Management and Budget (OMB) to implement the Ethics Commission. The Senate appropriated funding in Senate Bill No. 2148 to implement the Ethics Commission. | \$100,000 | \$0 | \$100,000 |
| 22. Adds one-time funding for an electronic procurement study | \$50,000 | \$0 | \$50,000 |
| 23. The Senate also added \$93,614 for statewide memberships and dues, \$1,001,400 for guardianship grants, \$50,000 for community service supervision grants, and \$200,000 of matching grants for Prairie Public Broadcasting. | | | |

The following is a comparison of funding from the general fund for statewide dues and memberships:

| Statewide Dues and Memberships | | |
|---|--|--|
| | 2017-19 Biennium Legislative Budget | 2019-21 Biennium Executive Budget |
| Commission on Uniform State Laws (This budget includes travel costs, conference registration, and annual dues.) | \$117,450 | \$122,130 |
| Council of State Governments | 169,200 | 163,940 |
| Governmental Accounting Standards Board | 0 | 0 |
| Western Governors' Association | 66,870 | 72,000 |
| National Governors Association | 73,350 | 75,800 |
| National Lieutenant Governors Association | 1,080 | 2,000 |
| Education Commission of the States | 103,500 | 95,580 |
| Western Interstate Commission for Higher Education ¹ | 0 | 0 |
| Total dues and memberships | \$531,450 | \$531,450 |

¹Funding for the Western Intrastate Commission for Higher Education is included in the higher education budget. The 2017-19 biennium budget included \$230,000, and the 2019-21 biennium executive budget includes \$294,000.

The Senate increased the funding for statewide memberships and dues by \$93,614 to provide total funding of \$625,064, the amount needed to fully fund the dues and memberships.

Other Sections in Senate Bill No. 2015

Tax relief fund transfer to human service finance fund - Section 3 transfers \$182.3 million from the tax relief fund to the human service finance fund.

Strategic investment and improvements fund transfer to preliminary planning revolving fund - Section 4 transfers \$500,000 from the strategic investment and improvements fund to the preliminary planning revolving fund.

State student internship program - Section 5 authorizes OMB to transfer student internship funding to other state agencies.

Litigation funding pool - Section 6 authorizes OMB to transfer litigation funding to other state agencies.

Grant and expense designations - Section 7 identifies the funding designated for boys' and girls' clubwork, statewide memberships and dues, unemployment insurance, and the Capitol Grounds Planning Commission.

Capitol building fund - Section 8 identifies \$2,220,000 from the Capitol building fund, including \$1,900,000 for extraordinary repairs and \$320,000 for special assessments.

Risk management fund - Section 9 identifies \$170,000 from the risk management fund for an information technology project.

Strategic investment and improvements fund - Section 10 identifies \$4.5 million from the strategic investment and improvements fund, including \$2.5 million for the litigation funding pool and \$2 million for a state facility assessment.

Prairie Public Broadcasting matching grant - Section 11 authorizes OMB to provide a grant of up to \$200,000 to Prairie Public Broadcasting for essential equipment needs, but only to the extent Prairie Public Broadcasting provides one dollar of matching funds from nonstate sources for each dollar awarded by OMB.

Fiscal management exemption - Section 12 allows 2017-19 biennium appropriation authority for the Fiscal Management Division of OMB to continue to be available in the 2019-21 biennium.

State employee compensation adjustments - Section 13 provides guidelines for salary increases averaging 2 percent with a minimum of \$80 per month to eligible state employees in the 1st year and averaging 3 percent in the 2nd year of the 2019-21 biennium. Employees whose documented performance does not meet standards would not be eligible for compensation adjustments.

State employee performance bonus program - Section 14 increases performance bonus limits from \$1,000 to \$2,500 per employee per year and removes a provision limiting performance bonuses to 25 percent of the agency's staff.

Shared services fund - Section 15 creates a new section to Chapter 54-27 to establish a shared services fund to allow state agencies to make payments to each other for shared services, including equipment, operating expenses, or salaries.

State employee suggestion incentive program - Section 16 repeals Section 54-06-24 relating to the state employee suggestion incentive program. Section 17 provides an effective date of June 30, 2021, related to the repeal.

Deficiency Appropriation

Senate Bill No. 2024 provides a deficiency appropriation of \$441,100 from the general fund for costs related to the Heritage Center lawsuit.

Continuing Appropriations

Risk management fund - Chapter 32-12.2 - Risk fund used to timely settle claims and lawsuits.

Risk management workers' compensation fund - Section 65-04-03.1 - Provides workers' compensation for state employees.

Human Resource Management Services training fund - Section 54-44-11 - State personnel training and development operating fund.

Capitol building fund - Chapter 48-10 - Income and interest of the fund may be used for Capitol grounds projects approved by the Capitol Grounds Planning Commission. The continuing appropriation amount is limited to 50 percent of the unencumbered balance of the fund on the 1st day of the biennium subject to a maximum amount of \$175,000.

Preliminary planning revolving fund - Section 54-27-22 - Preliminary planning revolving fund for state agencies to study and plan for capital projects.

Postage revolving fund - Chapter 48-06 - Used to purchase postage for postage machines in central mailroom.

Indigent civil legal services fund - Section 54-06-20 - Used for distributions to legal services programs that provide civil legal assistance to indigent individuals.

State purchasing operating fund - Section 54-44-11 - Used for the procurement and maintenance of an equipment and supply inventory for state agencies.

Significant Audit Findings

The operational audit for OMB conducted by the State Auditor's office during the 2017-18 interim identified a significant audit finding regarding noncompliance with the distribution of community service supervision grants. (A similar recommendation was also identified in the operational audit during the 2015-16 interim.)

Major Related Legislation

At this time, no major legislation is under consideration affecting this agency.

Office of Management and Budget - Budget No. 110
Senate Bill No. 2015
Base Level Funding Changes

| | Executive Budget Recommendation | | | | Senate Version | | | |
|--|---------------------------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| 2019-21 Biennium Base Level | 117.00 | \$30,720,260 | \$9,434,087 | \$40,154,347 | 117.00 | \$30,720,260 | \$9,434,087 | \$40,154,347 |
| 2019-21 Ongoing Funding Changes | | | | | | | | |
| Base payroll changes | | \$9,781 | (\$50,000) | (\$40,219) | | \$9,781 | (\$50,000) | (\$40,219) |
| Salary increase | | 631,676 | 133,586 | 765,262 | | 441,684 | 94,320 | 536,004 |
| Health insurance increase | | 324,415 | 68,607 | 393,022 | | 382,847 | 81,210 | 464,057 |
| Retirement contribution increase | | 79,896 | 16,896 | 96,792 | | | | 0 |
| Removes FTE positions | (5.00) | (560,182) | | (560,182) | (5.00) | (560,182) | | (560,182) |
| Underfunds salaries and wages | | (210,252) | (600,994) | (811,246) | | (210,252) | (600,994) | (811,246) |
| Adds funding to reclassify positions | | 560,678 | | 560,678 | | 560,678 | | 560,678 |
| Adds funding for temporary employees | | 56,400 | | 56,400 | | 56,400 | | 56,400 |
| Adjusts funding and FTE positions for IT unification | (4.00) | 40,312 | | 40,312 | (4.00) | 26,475 | | 26,475 |
| Reduces funding for operating expenses | | (588,483) | (247,461) | (835,944) | | (588,483) | (247,461) | (835,944) |
| Adds funding for contracted custodians | | 640,000 | | 640,000 | | 640,000 | | 640,000 |
| Increases funding for utility costs | | 427,650 | | 427,650 | | 427,650 | | 427,650 |
| Adds funding for information technology project costs | | 483,360 | | 483,360 | | 483,360 | | 483,360 |
| Adds funding for Microsoft Office 365 licensing | | 55,584 | 21,724 | 77,308 | | 55,584 | 21,724 | 77,308 |
| Increases funding for statewide memberships and dues | | | | 0 | | 93,614 | | 93,614 |
| Reduces funding for contingency fund | | (100,000) | | (100,000) | | (100,000) | | (100,000) |
| Reduces funding for bond payments | | (206,352) | | (206,352) | | (206,352) | | (206,352) |
| Increases funding for guardianship grants | | | | 0 | | 1,001,400 | | 1,001,400 |
| Increases funding for supervision grants | | | | 0 | | 50,000 | | 50,000 |
| Adds matching grants for Prairie Public Broadcasting | | | | 0 | | 200,000 | | 200,000 |
| Total ongoing funding changes | (9.00) | \$1,644,483 | (\$657,642) | \$986,841 | (9.00) | \$2,764,204 | (\$701,201) | \$2,063,003 |
| One-time funding items | | | | | | | | |
| Adds funding for extraordinary repairs | | | \$1,900,000 | \$1,900,000 | | | \$1,900,000 | \$1,900,000 |
| Adds funding for risk management technology project | | | 170,000 | 170,000 | | | 170,000 | 170,000 |
| Adds funding for state student internship program | | \$250,000 | | 250,000 | | \$250,000 | | 250,000 |
| Adds funding for electronic procurement study | | 50,000 | | 50,000 | | 50,000 | | 50,000 |
| Adds funding for special assessments on Capitol grounds | | 320,000 | | 320,000 | | | 320,000 | 320,000 |
| Adds funding for a litigation funding pool | | | 4,000,000 | 4,000,000 | | | 2,500,000 | 2,500,000 |
| Adds funding for a health savings account funding pool | | 800,000 | 700,000 | 1,500,000 | | | | 0 |
| Adds funding for an assessment of state lands and facilities | | | 2,430,000 | 2,430,000 | | | 2,000,000 | 2,000,000 |
| Adds funding to implement the ethics commission | | 100,000 | | 100,000 | | | | 0 |
| Total one-time funding changes | 0.00 | \$1,520,000 | \$9,200,000 | \$10,720,000 | 0.00 | \$300,000 | \$6,890,000 | \$7,190,000 |
| Total Changes to Base Level Funding | (9.00) | \$3,164,483 | \$8,542,358 | \$11,706,841 | (9.00) | \$3,064,204 | \$6,188,799 | \$9,253,003 |
| 2019-21 Total Funding | 108.00 | \$33,884,743 | \$17,976,445 | \$51,861,188 | 108.00 | \$33,784,464 | \$15,622,886 | \$49,407,350 |

Other Sections for Office of Management and Budget - Budget No. 110

| | <u>Executive Budget Recommendation</u> | <u>Senate Version</u> |
|--|---|---|
| Strategic investment and improvements fund transfer to budget stabilization fund | Section 3 would transfer \$315 million from the strategic investment and improvements fund to the budget stabilization fund during the 2017-19 biennium, prior to July 1, 2019. Section 20 includes an emergency clause associated with the transfer. | |
| General fund transfer to National Guard training area and facility development trust fund | Section 4 would transfer \$15 million from the general fund to the National Guard training area and facility development trust fund. | |
| Tax relief fund to human service finance fund | Section 5 would transfer \$182.3 million from the tax relief fund to the social services finance fund. | Section 3 transfers \$182.3 million from the tax relief fund to the human service finance fund. |
| Strategic investment and improvements fund transfer to public employees retirement fund | Section 6 would transfer \$265 million from the strategic investment and improvements fund to the public employees retirement fund. | |
| Strategic investment and improvements fund transfer to preliminary planning revolving fund | Section 7 (First) would transfer \$1 million from the strategic investment and improvements fund to the preliminary planning revolving fund. | Section 4 transfers \$500,000 from the strategic investment and improvements fund to the preliminary planning revolving fund. |
| Line item transfers | Section 17 would authorize OMB to transfer up to 10 percent of the agency's appropriation authority between line items. | |
| Transfers between agencies | Section 18 would authorize OMB, at the direction of the Governor, to transfer up to 1 percent of the general fund appropriation authority between certain state agencies. | |
| State student internship program | Section 7 (Second) would authorize OMB to transfer student internship funding to other state agencies. | Section 5 authorizes OMB to transfer student internship funding to other state agencies. |
| Litigation funding pool | Section 10 would authorize OMB to transfer litigation funding to other state agencies. | Section 6 authorizes OMB to transfer litigation funding to other state agencies. |
| Health savings account funding pool | Section 11 would authorize OMB to transfer health savings account funding to other state agencies. | |
| Grant and expense designations | Section 9 would identify the funding designated for boys' and girls' clubwork, statewide memberships and dues, unemployment insurance, and the Capitol Grounds Planning Commission. | Section 7 identifies the funding designated for boys' and girls' clubwork, statewide memberships and dues, unemployment insurance, and the Capitol Grounds Planning Commission. |
| Capitol building fund | | Section 8 identifies \$2,220,000 from the Capitol building fund, including \$1,900,000 for extraordinary repairs and \$320,000 for special assessments. |
| Risk management fund | | Section 9 identifies \$170,000 from the risk management fund for an information technology project. |
| Strategic investment and improvements fund | | Section 10 identifies \$4.5 million from the strategic investment and improvements fund, including \$2.5 million for the litigation funding pool and \$2 million for a state facility assessment. |

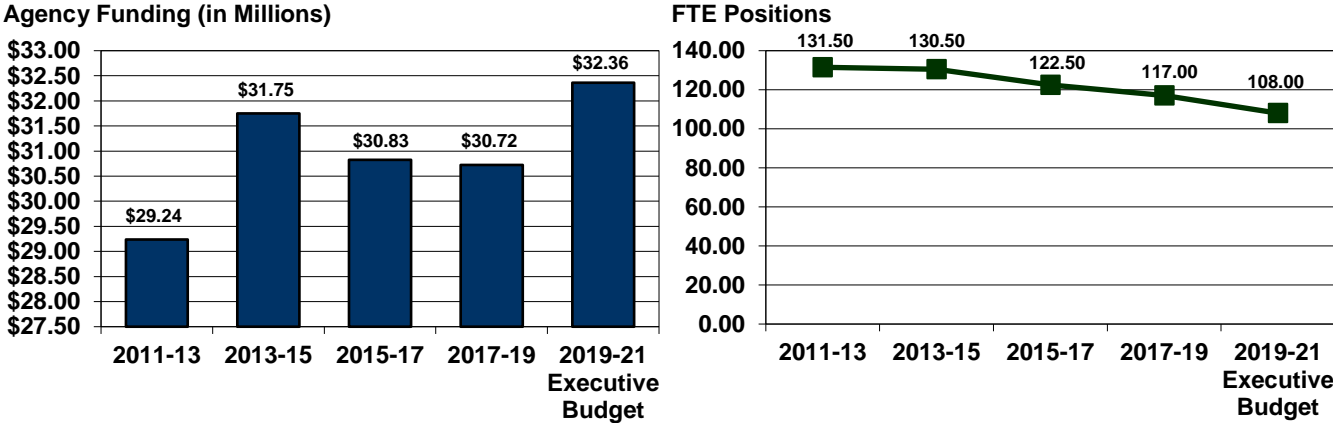
Other Sections for Office of Management and Budget - Budget No. 110

| | Executive Budget Recommendation | Senate Version |
|---|---|--|
| Prairie Public Broadcasting matching grant | | Section 11 authorizes OMB to provide a grant of up to \$200,000 to Prairie Public Broadcasting for essential equipment needs, but only to the extent Prairie Public Broadcasting provides one dollar of matching funds from nonstate sources for each dollar awarded by OMB. |
| Fiscal management exemption | Section 8 would allow 2017-19 biennium appropriation authority for the Fiscal Management Division of OMB to continue to be available in the 2019-21 biennium. | Section 12 allows 2017-19 biennium appropriation authority for the Fiscal Management Division of OMB to continue to be available in the 2019-21 biennium. |
| State employee compensation adjustments | Section 12 would provide guidelines for up to a 4 percent salary increase to eligible state employees in the 1st year and a 2 percent salary increase in the 2nd year of the 2019-21 biennium. An additional 2 percent salary increase would be available in the 2nd year if state agencies have savings resulting from employee reductions. Employees whose documented performance does not meet standards would not be eligible for compensation adjustments. | Section 13 provides guidelines for salary increases averaging 2 percent with a minimum of \$80 per month to eligible state employees in the 1st year and averaging 3 percent in the 2nd year of the 2019-21 biennium. Employees whose documented performance does not meet standards would not be eligible for compensation adjustments. |
| Emergency Commission borrowing authority | Sections 13 and 15 would amend North Dakota Century Code Section 54-16-04 and create Section 54-16-04.4 to authorize the Emergency Commission to borrow up to \$5 million per biennium from the Bank of North Dakota to address a state contingency. | |
| State employee performance bonus program | Section 21 would increase performance bonus limits from \$1,000 to \$2,500 per employee per year and would remove a provision limiting performance bonuses to 25 percent of the agency's staff. | Section 14 increases performance bonus limits from \$1,000 to \$2,500 per employee per year and would remove a provision limiting performance bonuses to 25 percent of the agency's staff. |
| Planning fees for capital improvements | Section 16 would amend Section 54-27-22 to allow OMB to pay consulting and planning fees associated with capital improvements without requiring approval from the Budget Section. | |
| Shared services fund | Section 14 would create a new section to Chapter 54-27 to establish a shared services fund to allow state agencies to make payments to each other for shared services, including equipment, operating expenses, or salaries. | Section 15 creates a new section to Chapter 54-27 to establish a shared services fund to allow state agencies to make payments to each other for shared services, including equipment, operating expenses, or salaries. |
| State employee suggestion incentive program | Section 19 would repeal Section 54-06-24 relating to the state employee suggestion incentive program. | Section 16 repeals Section 54-06-24 relating to the state employee suggestion incentive program. Section 17 provides an effective date of June 30, 2021, related to the repeal. |
| Health insurance premiums | Sections 22 and 23 would adjust provisions related to health insurance premiums to require employees to pay a portion of the premium for the grandfathered plan and would clarify the amount contributed to an individual's health savings account. | |

Department 110 - Office of Management and Budget

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2011-13



| Ongoing General Fund Appropriations | | | | | |
|---|--------------|--------------|--------------|--------------|--------------------------|
| | 2011-13 | 2013-15 | 2015-17 | 2017-19 | 2019-21 Executive Budget |
| Ongoing general fund appropriations | \$29,238,699 | \$31,746,688 | \$30,826,724 | \$30,720,260 | \$32,364,743 |
| Increase (decrease) from previous biennium | N/A | \$2,507,989 | (\$919,964) | (\$106,464) | \$1,644,483 |
| Percentage increase (decrease) from previous biennium | N/A | 8.6% | (2.9%) | (0.3%) | 5.4% |
| Cumulative percentage increase (decrease) from 2011-13 biennium | N/A | 8.6% | 5.4% | 5.1% | 10.7% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2013-15 Biennium

- 1. Added funding for Prairie Public Broadcasting \$337,138
- 2. Added funding for contracts with external auditors for certain audits \$300,000
- 3. Added funding for ConnectND human resources modules \$171,348
- 4. Added funding for guardianship grants \$828,600

2015-17 Biennium

- 1. Decreased funding for operating expenses (\$150,003)
- 2. Added funding for community supervision grants \$125,000
- 3. Reduced funding for salaries and wages (\$230,000), operating expenses (\$351,525), the Emergency Commission contingency fund (\$200,000), and Prairie Public Broadcasting (\$100,000) related to the August 2016 budget reductions (\$881,525)

2017-19 Biennium

- 1. Adjusted funding for FTE positions, including the removal of 1.5 FTE administrative assistant positions, 1 FTE maintenance position, 1 FTE computer and networking specialist position, 1 FTE facility construction engineer, and 1 FTE human resource officer position (\$862,713)
- 2. Adjusted funding for operating expenses \$171,178
- 3. Increased funding for the Emergency Commission contingency fund \$100,000
- 4. Added funding for extraordinary repairs and bond payments \$773,477
- 5. Removed funding for community service supervision grants (\$500,000) and reduces funding for other grants (\$1,000) (\$501,000)
- 6. Reduced funding for Prairie Public Broadcasting from \$1,600,000 to \$1,200,000 (\$400,000)
- 7. Removed funding for the state internship program (\$200,000)
- 8. Added funding for community service supervision grants \$350,000

2019-21 Biennium (Executive Budget Recommendations)

| | |
|--|-------------|
| 1. Removes 5 FTE positions, including 3 custodians and 2 system mechanics | (\$560,182) |
| 2. Underfunds salaries and wages | (\$210,252) |
| 3. Adds funding to reclassify FTE positions, including a director of recruiting, a director of leadership and learning, a training officer, and a public information officer | \$560,678 |
| 4. Adds funding for temporary employees | \$56,400 |
| 5. Transfers 4 FTE positions, including 1 information technology program administrator, 2 computer networking specialists, and 1 business analyst position, to the Information Technology Department for an information technology unification project resulting in an increase in operating expenses for the agency. The Senate transferred the 4 FTE positions, but adjusted the increase in operating expenses to provide an increase of \$26,475. | \$40,312 |
| 6. Reduces funding for operating expenses primarily related to information technology costs, maintenance, and equipment and supplies | (\$588,483) |
| 7. Adds funding to contract for custodial and maintenance services | \$640,000 |
| 8. Increases funding for utility costs | \$427,650 |
| 9. Adds funding for information technology costs associated with the state's accounting software and an employee onboarding project | \$483,360 |
| 11. Adds funding for Microsoft Office 365 licensing | \$55,584 |
| 12. Reduces funding for the Emergency Commission contingency fund | (\$100,000) |
| 13. Reduces funding for bond payments | (\$206,352) |
| 14. The Senate also added \$93,614 for statewide memberships and dues, \$1,001,400 for guardianship grants, \$50,000 for community service supervision grants, and \$200,000 of matching grants for Prairie Public Broadcasting. | |

**GOVERNOR'S RECOMMENDATION FOR THE
OFFICE OF MANAGEMENT AND BUDGET AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the office of management and budget for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|--------------------------------|-------------------|--|----------------------|
| Salaries and wages | 21,596,832 | (333,040) | 21,263,792 |
| Operating Expenses | 14,051,438 | 4,426,233 | 18,477,671 |
| Contingency Fund | 600,000 | (100,000) | 500,000 |
| Capital Assets | 973,477 | 1,863,648 | 2,837,125 |
| Grants | 54,000 | 100,000 | 154,000 |
| Guardianship Grants | 1,328,600 | - | 1,328,600 |
| Community service grants | - | 350,000 | 350,000 |
| Prairie Public Broadcasting | 1,200,000 | - | 1,200,000 |
| Litigation Pool | - | 4,000,000 | 4,000,000 |
| State Student Internship | - | 250,000 | 250,000 |
| Health Savings Account | - | 1,500,000 | 1,500,000 |
| Cybersecurity remediation pool | - | - | - |
| Total all funds | <u>39,804,347</u> | <u>12,056,841</u> | <u>51,861,188</u> |
| Less estimated income | <u>11,234,087</u> | <u>6,742,358</u> | <u>17,976,445</u> |
| Total general fund | 28,570,260 | 5,314,483 | 33,884,743 |
| Full-time equivalent positions | 117.00 | -9.00 | 108.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2017-19</u> | <u>2019-21</u> |
|-------------------------------------|----------------|----------------|
| Surplus Property Building | 800,000 | - |

| | | |
|---------------------------------|-------------|--------------|
| Cybersecurity remediation pool | 1,000,000 | - |
| Theodore Roosevelt center grant | 500,000 | - |
| Extraordinary repairs | - | 1,900,000 |
| IT risk project | - | 170,000 |
| Central services study | - | 50,000 |
| Student internship | - | 250,000 |
| Special assessments | - | 320,000 |
| Litigation pool | - | 4,000,000 |
| Ethics commission | - | 100,000 |
| Real estate plan | - | 2,430,000 |
| Health savings account | - | 1,500,000 |
| Total All Funds | \$2,300,000 | \$10,720,000 |
| Total Special Funds | 1,800,000 | 9,200,000 |
| Total General Funds | \$500,000 | \$1,520,000 |

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The office of management and budget shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3 TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENT FUND TO BUDGET STABILIZATION FUND. The office of management and budget shall transfer the sum of \$315,039,140, or so much of the sum as may be necessary, to the budget stabilization fund during the biennium beginning July 1, 2017, and ending June 30, 2019.

SECTION 4 - TRANSFER - GENERAL FUND TO NATIONAL GUARD TRAINING AREA AND FACILITY DEVELOPMENT TRUST FUND. The office of management and budget shall transfer the sum of \$15,000,000 to the national guard training area and facility development trust fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. TRANSFER - TAX RELIEF FUND TO SOCIAL SERVICES FINANCE FUND. The office of management and budget shall transfer the sum of \$182,300,000, or so much of the sum as may be necessary, from the tax relief fund to the social services financing fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 6. TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO THE PENSION FUND. The office of management and budget shall transfer the sum of \$265,000,000 from the strategic investment and improvements fund to the public employees retirement fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 7. TRANSFER – REVOLVING FUND FOR PREPAYMENT OF CONSULTING AND

PLANNING FEES. The office of management and budget shall transfer the sum of \$1,000,000 from the strategic investment and improvement fund to the revolving fund, established pursuant to section 54-27-22, during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 7. STATE STUDENT INTERNSHIP PROGRAM. The human resources division of the office of management and budget may transfer to each eligible agency appropriated general fund spending authority from the state student internship program line item contained in section 1 of this Act.

SECTION 8. EXEMPTION. The amount appropriated for the fiscal management division, as contained in section 1 of chapter 49 of the 2015 Session Laws is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available for continued development and operating costs of the statewide systems including accounting, management, and payroll, during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 9. INTENT. Within the authority included in section 1 of this Act are the following grants and special items:

Boys and girls clubwork
State memberships and related expenses
Unemployment insurance
Capitol grounds planning commission

SECTION 10. OFFICE OF MANAGEMENT AND BUDGET – LITIGATION POOL. The office of management and budget may transfer to each eligible agency appropriation authority from the litigation pool line item contained in section 1 of this Act. Transfers may be made for the purpose of providing litigation services for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 11. OFFICE OF MANAGEMENT AND BUDGET – HEALTH SAVINGS ACCOUNT. The office of management and budget may transfer to each eligible agency appropriation authority from the health savings account line item contained in section 1 of this Act. Transfers may be made for the purpose of providing a \$500 contribution to eligible employee's health savings account in January, 2020 and January, 2021.

SECTION 12. STATE EMPLOYEE COMPENSATION ADJUSTMENT - GUIDELINES. The 2019-21 biennium compensation adjustment for classified state employees is to be based on documented performance with up to a 4 percent increase for the first year of the biennium and 2 percent for the second year. If savings resulting from employee reductions can be identified an additional 2 percent is authorized for the second year.

Probationary employees are not entitled to the salary increase. However, probationary employees may be given all or a portion of the increase effective in July, paid in August, or upon completion of probation, at the discretion of the appointing authority.

The office of management and budget shall develop guidelines for use by state agencies for providing compensation adjustments for regular classified employees. The guidelines must follow NDCC 54-44.2-01.2.

An employee whose overall documented performance level does not meet standards is not eligible for any salary increase.

SECTION 13. Section 54-16-04.4 of the North Dakota Century Code is created and enacted as follows:

54-16-04.4. Authority to borrow funds.

The emergency commission, upon the advice of the office of management and budget, may authorize the office of management and budget to borrow moneys from the Bank of North Dakota for state contingencies as provided in this chapter. Moneys borrowed from the Bank of North Dakota pursuant to this section may not exceed five million dollars during any state biennial period. Moneys borrowed pursuant to this section may be transferred by the office of management and budget to the appropriation of the state agency, board, commission or officer who requested the funding to address a state

contingency as approved by the emergency commission. Any state agency, board, commission, or officer receiving moneys pursuant to this section must return any unspent moneys within the biennium in which it was authorized. The office of management and budget shall request from the legislative assembly a deficiency appropriation sufficient for the repayment of the amount borrowed plus interest.

SECTION 14. A new section to chapter 54-27 of the North Dakota Century Code is created and enacted as follows:

Shared services fund – Creation – Appropriation. There is created in the state treasury a state shared services fund. Any payment to a state agency or institution received from another state agency or institution as a result of a shared services agreement must be deposited in the state shared services fund. Any moneys deposited by a state agency or institution in the state shared services fund are hereby appropriated to that agency or institution for the purposes of defraying the costs of equipment, operating expenses, or salaries relating to the shared services agreement.

SECTION 15. AMENDMENT. Section 54-16-04 of the North Dakota Century Code is amended and reenacted as follows:

54-16-04. May order transfer of moneys between funds - Line item transfers - Order may draw from state treasury.

The emergency commission, upon the advice of the office of management and budget, may order money or spending authority transferred from one fund or line item to another fund or line item belonging to or appropriated for the same institution or board or the same state enterprise, may order a transfer of spending authority from the state contingencies appropriation, may order borrowing from the Bank of North Dakota pursuant to section 54-16-04.4, or, in an extremity, may authorize money to be drawn from the state treasury to meet the emergency until the legislative assembly can make an appropriation available. The following transfers, if authorized by the emergency commission, require the approval of the budget section of the legislative management:

1. A transfer of moneys or spending authority which would eliminate or make impossible the accomplishment of a program or objective funded by the legislative assembly.
2. A transfer exceeding fifty thousand dollars from one fund or line item to another fund or line item, unless the transfer is necessary to comply with a court order or to avoid:
 - a. An imminent threat to the safety of people or property due to a natural disaster or war crisis; or
 - b. An imminent financial loss to the state.

SECTION 16. AMENDMENT. Section 54-27-22 of the North Dakota Century Code is amended and reenacted as follows:

54-27-22. Revolving fund for prepayment of consulting and planning fees for capital improvements.

Funds must be made available to all state agencies, institutions, and departments from a preliminary planning revolving fund in the state treasury under the control of the director of the office of management and budget for studies, planning, architectural programming, schematic designs, and cost estimates relating to proposed new capital improvements and major remodeling of existing facilities. State agencies, institutions, and departments interested in obtaining planning moneys shall submit a written request detailing the scope and purpose of such project to the director of the office of management and budget. The director shall ~~file such request with, and shall present the director's recommendations regarding the proposed project and necessary planning moneys~~ report to the budget section of the legislative management, at least once each year, regarding expenditures from the fund. ~~Funds may be advanced only in the event that an authorization has first been received from the budget section. Such funds advanced must be repaid to the preliminary planning revolving fund as moneys become available through legislative appropriation or other sources for the commencement of the project.~~

SECTION 17. LINE ITEM TRANSFER. Notwithstanding section 54-16-04, the agency may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The agency shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section.

SECTION 18. TRANSFER AUTHORITY BETWEEN AGENCIES. Notwithstanding any other sections of the law, the governor may direct the office of management and budget to transfer up to one percent of the legislatively approved general fund appropriation for the following agencies to implement and promote efficient practices in state government: the office of the governor, office of management and budget, information technology department, department of health, department of environmental quality, Indian affairs commission, job service North Dakota, department of labor and human rights, securities department, highway patrol, department of corrections and rehabilitation, office of the adjutant general, department of commerce, water commission, and department of transportation. Transfers may occur for the period beginning July 1, 2019, and ending June 30, 2021 under the following provisions:

1. The governor has transferred duties between executive branch agencies when an agency has demonstrated they are able to perform the specific duty more efficiently, thereby creating a savings to the state equal to at least ten percent of the amount transferred.
2. The governor has identified projects or initiatives which will generate efficiency and cost savings for the state, equal to at least ten percent of the amount transferred.
3. Any general fund savings amount will be turned back to the general fund at the end of the biennium.
4. The office of management and budget shall report to the budget section regarding the purposes of the transfers and documented efficiencies and savings that occurred from such transfers.
5. The transfers are to be considered a reduction in the base budget for the agency from whom the transfer is made and an increase in the base budget for the agency which received the transfer.

SECTION 19. REPEAL. Section 54-06-24 of the North Dakota Century Code is repealed.

SECTION 20. EMERGENCY. Section 3 of this Act is declared to be an emergency measure.

SECTION 21. AMENDMENT. Section 54-06-30 of the North Dakota Century Code is amended and reenacted as follows:

54-06-30. State employee performance bonus program - Criteria - Limitations. State agencies may provide monetary performance bonuses to their employees under this section.

1. State agencies may pay bonuses under this section if:
 - a. The agency has had a written employee performance evaluation policy in place for more than one year before paying the bonus;
 - b. The written employee performance evaluation policy required in subdivision a must have at least three levels of performance criteria; and
 - c. The agency performance bonus program adopted under this section must be a written policy and must be communicated to each employee in the agency. Development of the written policy must include input from employees.
2. State employees are eligible to receive a bonus under this section only if:
 - a. The employee has held a position in state government for at least one year before a bonus is paid;
 - b. The employee's overall annual performance evaluation satisfies the agency's performance bonus program criteria for receiving a bonus; and
 - c. The employee is a full-time or part-time regular nonprobationary employee holding a regularly funded nontemporary position.
3. An employee may not receive more than one performance bonus per fiscal year and may not receive more than ~~one thousand~~ two thousand five hundred dollars in bonuses per fiscal year.

4. ~~Except as provided in this subsection, agencies may pay bonuses under this section during a fiscal year to not more than the number of employees equal to twenty-five percent of the employees employed by the agency on July first at the beginning of each state fiscal year. Upon a showing of special circumstances, North Dakota human resource management services may approve pay bonuses above the twenty-five percent limitation in this subsection. North Dakota human resource management services shall report any exceptions granted under this subsection to the budget section of the legislative management. Each agency must fund the performance bonus program from within its agency budget for salaries and wages.~~
5. Bonuses paid under this section may not be included in an employee's base salary for purposes of calculating any wage or salary increase.
6. Bonuses paid under this section are not fiscal irregularities under section 54-14-03.1.

SECTION 22. AMENDMENT. Section 54-52.1-06 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-06. State contribution.

Each department, board, or agency shall pay to the board each month from its funds appropriated for payroll and salary amounts a state contribution in the amount as determined by the primary carrier of the group contract for the full blended single and alternate family contract rate monthly premium for each of its eligible employees enrolled in the non-grandfathered uniform group insurance program ~~and the full rate monthly premium, in an amount equal to that contributed under the alternate family contract~~, including major medical coverage, for hospital and medical benefits coverage for spouses and dependent children of its eligible employees enrolled in the uniform group insurance program pursuant to section 54-52.1-07. Employees who elect to remain in the grandfathered uniform group insurance program, if it is still offered to employees, shall pay the blended single and family rate difference in monthly premium between the grandfathered and non-grandfathered uniform group insurance programs. The board shall then pay the necessary and proper premium amount for the uniform group insurance program to the proper carrier or carriers on a monthly basis. Any refund, rebate, dividend, experience rating allowance, discount, or other reduction of premium amount must be credited at least annually to a separate fund of the uniform group insurance program to be used by the board to reimburse the administrative expense and benefit fund of the public employees retirement program for the costs of administration of the uniform group insurance program. In the event an enrolled eligible employee is not entitled to receive salary, wages, or other compensation for a particular calendar month, that employee may make direct payment of the required premium to the board to continue the employee's coverage, and the employing department, board, or agency shall provide for the giving of a timely notice to the employee of that person's right to make such

payment at the time the right arises.

SECTION 23. AMENDMENT. Section 54-52.1-18 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-18. High-deductible health plan alternative with health savings account option.

1. The board shall develop and implement a high-deductible health plan as an alternative to the plan under section 54-52.1-02. The high-deductible health plan alternative with a health savings account must be made available to state employees by January 1, 2012. After June 30, 2015, at the board's discretion, the high-deductible health plan alternative may be offered to political subdivisions for coverage of political subdivision employees. If a political subdivision elects this high-deductible option, the political subdivision may not offer the plan under section 54-52.1-02.
2. Health savings account fees for participating state employees must be paid by the employer.
 - a. Except as provided in subdivision b, subject to the limits of section 223(b) of the Internal Revenue Code [26 U.S.C. 223(b)], the difference between the cost of the respective non-grandfathered single and family premium for eligible state employees under section 54-52.1-06 and the premium for those employees electing to participate under the high-deductible health plan under this section must be deposited in a health savings account for the benefit of each participating employee.
 - b. If the public employees retirement system is unable to establish a health savings account due to the employee's ineligibility under federal or state law or due to failure of the employee to provide necessary information in order to establish the account, the system is not responsible for depositing the health savings account contribution. The member will remain a participant in the high-deductible health plan regardless of whether a health savings account is established.
 - c. If a member closes the health savings account established for that member under this section, the system is not responsible for depositing the health savings account contribution after that closure.

3. Each new state employee must be provided the opportunity to elect the high-deductible health plan alternative. At least once each biennium, the board shall provide an open enrollment period allowing existing state employees or a political subdivision to change their coverage.