



**Office of Management and Budget
Department No. 110
2025 House Bill No. 1015**

**EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM**

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	115.00	\$67,981,155	\$63,704,063	\$131,685,218
Base level	110.00	80,879,240	71,757,126	152,636,366
Increase (decrease)	5.00	(\$12,898,085)	(\$8,053,063)	(\$20,951,148)
Percentage increase (decrease)	4.5%	(16.0%)	(11.2%)	(13.7%)

NOTE:

More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Selected Highlights

- Salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee
- Removes funding of \$98.2 million, of which \$40.1 million is from the general fund for the new and vacant FTE funding
- Reclassifies 2 FTE positions to a talent management position and a procurement officer position
- Adds 2 FTE positions to support the Department of Health and Human Services pay for success program
- Adds 1 FTE shared communications position
- Adds 1 FTE cash management position
- Adds \$15 million of **one-time funding** from the general fund for an incentive pool for employees to switch from the defined benefit plan to the defined contribution plan
- Adds \$3 million of **one-time funding** from the Capitol building fund for security and landscaping improvements at the Governor's residence
- Adds \$3 million of **one-time funding** from the Capitol building fund for Capitol building projects
- Adds \$400,000 of **one-time funding** from the strategic investment and improvements fund (SIIF) for an outdoor dining space at the Capitol Cafe
- Provides \$40 million of **one-time funding** from SIIF for a deferred maintenance funding pool

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency did not have any fees.

Major Related Legislation

House Bill No. 1026 - Administration of state bonding fund - Transfers the responsibility to administer the state bonding fund from the Insurance Commissioner to the Office of Management and Budget (OMB).

House Bill No. 1027 - Administration of fire and tornado fund - Transfers the responsibility to administer the state fire and tornado fund from the Insurance Commissioner to OMB.

Senate Bill No. 2084 - Travel reimbursement rates - Provides for the in-state lodging rate to be at the same rate as the United States General Services Administration (GSA) rate.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Office of Management and Budget - Budget No. 110
Agency Worksheet - House Bill No. 1015

	Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	110.00	\$80,879,240	\$71,757,126	\$152,636,366
2025-27 Ongoing Funding Changes				
Salary increase		\$782,728	\$352,121	\$1,134,849
Health insurance increase		393,946	318,930	712,876
Removes new and vacant FTE pool funding		(40,100,000)	(58,100,000)	(98,200,000)
Adds funding to restore new FTE pool funding		446,314		446,314
Adds funding to restore vacant FTE pool funding		1,076,769	184,670	1,261,439
Removes funding for bond payments		(283,875)		(283,875)
Budget reduction		(1,315,636)	(415,834)	(1,731,470)
Reclassifies position to talent manager		306,145	(152,901)	153,244
Reclassifies position to procurement officer		254,899	(192,714)	62,185
Shared communication services	1.00	205,670		205,670
Department of Health and Human Services pay initiative support	2.00	603,267		603,267
Cash management position	1.00	301,633		301,633
Public health lab operating costs	1.00	1,160,000	113,175	1,273,175
Custodial staff equity funding		110,114		110,114
Temporary salaries		200,000		200,000
Increased operating costs		2,033,876	725,064	2,758,940
Information technology rate increases		1,836,100	19,335	1,855,435
Procurement automation		615,004		615,004
Increased electricity and natural gas costs		200,000		200,000
Compensation methodology contract costs		134,000		134,000
FMLA Source costs		324,000		324,000
Recruiting management system		300,000		300,000
Increased Capitol repairs funding			500,000	500,000
Facility management fund source change		(2,144,396)	2,144,396	0
Transfer child care credit authority to the North Dakota University System		(910,000)		(910,000)
Total ongoing funding changes	5.00	(\$33,469,442)	(\$54,503,758)	(\$87,973,200)
One-Time Funding Items				
News media monitoring software		\$15,000		\$15,000
Procurement automation one-time		515,052		515,052
Recruiting management system one-time		250,000		250,000
Enterprise resource planning cloud readiness		4,000,000		4,000,000
Student internship program		500,000		500,000
Employee leave payouts		99,305	\$50,695	150,000
Snow removal equipment		172,000		172,000
Floor scrubber		20,000		20,000
Capitol building improvements			3,000,000	3,000,000
Governor's residence security and landscaping			3,000,000	3,000,000
Cafeteria outdoor eating space (SIIF)			400,000	400,000
Deferred maintenance pool (SIIF)			40,000,000	40,000,000
Retirement incentive plan pool		15,000,000		15,000,000
Total one-time funding changes	0.00	\$20,571,357	\$46,450,695	\$67,022,052
Total Changes to Base Level Funding	5.00	(\$12,898,085)	(\$8,053,063)	(\$20,951,148)
2025-27 Total Funding	115.00	\$67,981,155	\$63,704,063	\$131,685,218

Federal funds included in other funds

\$0

<i>Total ongoing changes - Percentage of base level</i>	4.5%	(41.4%)	(76.0%)	(57.6%)
<i>Total changes - Percentage of base level</i>	4.5%	(15.9%)	(11.2%)	(13.7%)

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

Section Description	Executive Budget
FTE position adjustments	Section 3 would allow OMB to increase or decrease FTE positions subject to the availability of funds.
Tax relief fund to human service finance fund	Section 4 would transfer \$250 million from the social services fund to the human service finance fund during the 2025-27 biennium.
Transfer to Public Employees Retirement System plan	Section 5 would transfer \$135 million from SIIF to the Public Employees Retirement System main system plan during the 2025-27 biennium.
SIIF funding	Section 6 would identify \$40.4 million from SIIF for a deferred maintenance pool (\$40 million) and a Capitol Café project (\$400,000).
Capitol building fund	Section 7 would identify \$6.5 million from the Capitol building fund for Governor's residence projects (\$3 million), Capitol improvements (\$3 million), and Capitol complex repairs.
State student internship program	Section 8 would authorize OMB to transfer funds to other state agencies for the state student internship program.
Fiscal management exemption	Section 9 would allow 2023-25 biennium appropriations for the fiscal management division to be continued into the 2025-27 biennium.
Unexpended appropriations	Section 10 would allow unexpended appropriations for various projects to be continued into the 2025-27 biennium.
Grants and expense designations	Section 11 would identify the funding designated for statewide memberships and dues, unemployment insurance, and the Capitol Grounds Planning Commission.
State employee compensation adjustments	Section 12 would provide guidelines for an average salary increase of 4 percent to eligible state employees in the 1st year and an average salary increase of 3 percent in the 2nd year of the 2025-27 biennium.
Out-of-state employee mileage	Section 13 would provide state employees permanently located out of the state be reimbursed at the federal General Services Administration mileage rate for use of personal vehicles.
Fixed asset minimum reporting value	Section 14 would allow OMB to set the fixed asset minimum reporting value through fiscal policy.
Budget stabilization fund	Section 15 would amend Section 54-27.2-01 to decrease the maximum balance of the budget stabilization fund from 15 percent of the most recent general fund budget to 15 percent of the most recent ongoing general fund budget excluding state school aid appropriations.
State share of oil and gas taxes	Section 16 would increase the allocation of oil and gas tax revenues to the general fund from \$460 million to \$600 million, per biennium.
Boys' and Girls' Club achievement days	Section 17 would repeal Section 11-38-08 relating to OMB providing payment to county extension agents for Boy's and Girls' Club achievement days.

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1015
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the various divisions under the supervision of the director of the office of management and budget; to amend and reenact sections 54-06-09, 54-27-21, 54-27.2-01, and 57-51.1-07.5, of North Dakota Century Code relating to state employee mileage and travel expense, fixed asset threshold, the budget stabilization fund, and oil tax allocations; to provide an exemption; to repeal section 11-38-08 of North Dakota Century Code, related to achievement days; to provide for various transfers; to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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, 2025 and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$23,510,218	\$ 6,042,622	\$29,552,840
Operating Expenses	18,217,793	10,624,081	28,841,874
Contingency Fund	750,000	(22,500)	727,500
Capital Assets	308,355	7,023,649	7,332,004
Guardianship Grants	7,100,000	(213,000)	6,887,000
Community Service Grants	350,000	(35,000)	315,000
Prairie Public Broadcasting	1,200,000	(36,000)	1,164,000
Deferred Maintenance	0	40,000,000	40,000,000
State Student Internship	0	500,000	500,000
State EE Child Care Benefits	3,000,000	(1,635,000)	1,365,000
DB to DC Incentive	0	15,000,000	15,000,000
Total All Funds	<u>\$54,436,366</u>	<u>\$77,248,852</u>	<u>\$131,685,218</u>
Less Estimated Income	<u>13,657,126</u>	<u>50,046,937</u>	<u>63,704,063</u>
Total General Fund	<u>\$40,779,240</u>	<u>\$27,201,915</u>	<u>\$67,981,155</u>
Full-time Equivalent Positions	110.00	5.00	115.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium and the 2025-27 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Deferred Maintenance	\$20,000,000	\$40,000,000
Space Utilization	2,500,000	0
Oracle guided learning	215,000	0
Capitol window replacement	4,000,000	0
Leave management system	335,000	0
Security at Governor's residence	100,000	0
Security and improvements at Governor's residence	0	3,000,000

Student Internship	500,000	500,000
Prairie Public Broadcasting Projects	1,792,450	0
GEER funds	3,659,555	0
Building Automation Upgrade	800,000	0
Cash management study	450,000	0
Senior center grant	200,000	0
Brynild Haugland remodel	250,000	0
Legislative room door automation	150,000	0
Inflation increases	340,000	15,000
Electrical and mechanical repairs	250,000	0
Retirement Leave Payout	100,369	150,000
Equipment	358,800	192,000
ADA Study	50,000	0
E-procurement project	400,000	515,052
Enhanced recruiting management system	0	250,000
Capitol improvements and enhancements	0	3,000,000
ERP cloud readiness	0	4,000,000
Outdoor cafeteria eating area	0	400,000
DB to DC incentive	0	15,000,000
Total All Funds	\$36,451,174	\$67,022,052
Total Special Funds	<u>29,934,355</u>	<u>46,450,695</u>
Total General Fund	\$6,516,819	\$20,571,357

The 2025-27 one-time funding amounts are not a part of the entity's base budget for the 2027-29 biennium. The office of management and budget shall report to the appropriations committees of the seventieth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 3. EXEMPTION – FULL-TIME EQUIVALENT POSITION ADJUSTMENTS. Notwithstanding any other provisions of law, the office of management and budget may increase or decrease authorized full-time equivalent positions as needed, subject to the availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The office of management and budget shall report to legislative council any adjustments made pursuant to this section.

SECTION 4. TRANSFER – SOCIAL SERVICES TO HUMAN SERVICE FINANCE FUND. The office of management and budget shall transfer the sum of \$250,000,000, 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, 2025 and ending June 30, 2027.

SECTION 5. TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO PUBLIC EMPLOYEES RETIREMENT FUND. The office of management and budget shall transfer the sum of \$135,000,000 from the strategic investment and improvements fund to the public employees retirement fund during the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 6. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - ONE-TIME FUNDING. The estimated income line item in the capital assets line of section 1 of this Act includes the sum of \$40,400,000 from the strategic investment and improvements fund, of which \$40,000,000 is for the deferred maintenance pool and \$400,000 is for the outdoor eating area by the cafeteria. The office of management and budget may transfer funds to eligible state agencies for identified deferred maintenance projects. This funding is considered a one-time funding item.

SECTION 7. ESTIMATED INCOME – CAPITOL BUILDING FUND – ONE-TIME FUNDING. The estimated income line item in section 1 of this Act includes the sum of \$6,500,000 from the capitol building trust fund, of which \$3,000,000 is for security and landscaping at the governor's residence, \$3,000,000 is for improvements and enhancements at the capitol and \$500,000 is for miscellaneous repairs at the capitol complex.

SECTION 8. STATE STUDENT INTERNSHIP PROGRAM. The office of management and budget may transfer funds from the state student internship program line item appropriated in section 1 of this Act to eligible state agencies for student internships during the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 9. EXEMPTION. The amount appropriated for the fiscal management division, as contained in section 1 of chapter 640 of the 2023 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, 2025 and ending June 30, 2027.

SECTION 10. EXEMPTION. The amounts appropriated for the governor's emergency education relief program in the governor's emergency education relief line and the boiler and window replacement projects in the capital assets line as contained in section 1 of chapter 640 of the 2023 session laws, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available for the continuation of those projects during the biennium beginning July 1, 2025, and ending June 30, 2027.

SECTION 11. INTENT. Within the authority included in section 1 of this Act are the following grants and special items:

State Memberships and Related Expenses	\$ 757,489
Unemployment Insurance	\$1,500,000
Capitol Grounds Planning Commission	\$ 25,000

SECTION 12. STATE EMPLOYEE COMPENSATION ADJUSTMENT - GUIDELINES.

1. The 2025-27 biennium compensation adjustments for permanent state employees are to average 4 percent for fiscal year 2026 and 3 percent for fiscal year 2027 and are to be based on documented performance.
2. Agencies may use salaries and wages funding available due to vacant positions and employee turnover to provide additional salary increases for selected employees to address salary compression issues or to enhance merit-based increases for employees essential to the effective operations of the agency. The biennial cost of any additional salary increases must be within the agency's current salaries and wages funding level. An agency may not request any additional funding for the 2027-29 biennium to continue the additional salary increases.
3. 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 the compensation philosophy statement under section 54-44.2-01.2.
4. Probationary employees are not entitled to the salary increase. However, at the discretion of the appointing authority, probationary employees may be given all or a portion of the increase effective in July, paid in August, or upon completion of probation. Employees whose overall documented performance level does not meet standards are not eligible for any salary increase.

SECTION 13. AMENDMENT. Section 54-06-09 of the North Dakota Century Code is amended and reenacted as follows:

54-06-09. Mileage and travel expense of state officers and employees.

5. Notwithstanding the other provisions of this section, state employees permanently located outside the state or on assignments outside the state for an indefinite period of time, exceeding at least thirty consecutive days, must be allowed and paid ~~forty-five cents~~ the gsa rate per mile [1.61 kilometers] for each mile [1.61 kilometers] actually and necessarily traveled in the performance of official duty when such travel is by motor vehicle, and the three-hundred-mile [482.80-kilometer] restriction imposed by subsection 3 does not apply.

SECTION 14. AMENDMENT. Section 54-27-21 of the North Dakota Century Code is amended and reenacted as follows:

54-27-21. Fixed asset minimum reporting value. All state departments, agencies, boards, bureaus, commissions, industries, and institutions shall include all fixed assets under their control in their financial statements, except those having a value of ~~five thousand dollars or less~~ under the threshold defined in the office of management and budget's fiscal policy. The state auditor is authorized to provide for the written exemption of specific fixed assets having a value of more than five thousand dollars when an exemption is justified upon generally accepted accounting principles.

SECTION 15. AMENDMENT. Section 54-27.2-01 of the North Dakota Century Code is amended and

reenacted as follows:

54-27.2-01. Budget stabilization fund. The budget stabilization fund is a special fund in the state treasury. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10. Any interest or other budget stabilization fund earnings must be credited to the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund at the end of any fiscal year to an amount greater than fifteen percent of the current ongoing biennial state general fund budget minus the general fund portion of the integrated formula payment line appropriated to the department of public instruction, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited in or credited to the fund but must be deposited instead in the state general fund.

SECTION 16. AMENDMENT. Section 57-51.1-07.5 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.5. State share of oil and gas taxes - Deposits. From the revenues designated for deposit in the state general fund under chapters 57-51 and 57-51.1, the state treasurer shall deposit the revenues received each biennium in the following order:

1. The first ~~two~~three hundred thirty million dollars into the state general fund;
2. The next two hundred fifty million dollars into the social service fund;
3. The next seventy-five million dollars into the budget stabilization fund, but not in an amount that would bring the balance in the fund to more than the limit in section 54-27.2-01;
4. The next ~~two~~three hundred thirty million dollars into the state general fund;
5. The next ten million dollars into the lignite research fund;
6. The next twenty million dollars into the state disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than twenty million dollars;
7. The next four hundred million dollars into the strategic investment and improvements fund;
8. The next sixty-five million dollars to the public employees retirement fund for the main system plan;
9. The next fifty-nine million seven hundred fifty thousand dollars, or the amount necessary to provide for twice the amount of the distributions under subsection 2 of section 57-51.1-07.7, into the funds designated for infrastructure development in non-oil-producing counties under sections 57-51.1-07.7 and 57-51.1-07.8 with fifty percent deposited into the municipal infrastructure fund and fifty percent deposited into the county and township infrastructure fund;
10. The next one hundred seventy million two hundred fifty thousand dollars or the amount necessary to provide a total of two hundred thirty million dollars into the funds designated for infrastructure development in non-oil-producing counties under sections 57-51.1-07.7 and 57-51.1-07.8 with fifty percent deposited into the municipal infrastructure fund and fifty percent deposited into the county and township infrastructure fund;
11. The next twenty million dollars into the airport infrastructure fund; and
12. Any additional revenues into the strategic investment and improvements fund.

SECTION 17. REPEAL. Section 11-38-08 of the North Dakota Century Code is repealed.