

**State Auditor
Budget No. 117
House Bill No. 1004; Senate Bill No. 2396**

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriations	59.00	\$12,426,959	\$6,008,340	\$18,435,299
2025-27 base budget	65.00	10,310,849	6,486,821	16,797,670
Legislative increase (decrease) to base budget	(6.00)	\$2,116,110	(\$478,481)	\$1,637,629

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2025-27 legislative appropriations	\$12,126,759	\$300,200	\$12,426,959
2023-25 legislative appropriations	10,310,849	101,550	10,412,399
2025-27 legislative increase (decrease) to 2023-25 appropriations	\$1,815,910	\$198,650	\$2,014,560
Percentage increase (decrease) to 2023-25 appropriations	17.6%	195.6%	19.4%

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes		\$41,001	(\$40,050)	\$951
Added funding to provide employee salary increases of 3 percent on July 1, 2025, and 3 percent on July 1, 2026		376,213	179,825	556,038
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,893 per month		228,201	117,105	345,306
Added funding to replace the 2023-25 biennium new and vacant FTE funding pool, including \$958,432 for new positions and \$651,986 for vacant positions		594,249	1,016,169	1,610,418
Added funding for cost to continue salaries		152,187	67,801	219,988
Added funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202
Removed funding for local government audit positions due to less demand for local government audits	(7.00)		(1,545,916)	(1,545,916)

Adjusted the funding source for 2 FTE positions from special funds to the general fund to allow the State Auditor to review local government annual financial reports at no cost to the local government	412,845	(412,845)	0
Transferred \$99,686 for 1 new FTE positions from the salaries and wages line item to the new and vacant FTE pool line item and reduced the amount to \$89,717 resulting in the savings as shown.		(9,969)	(9,969)
Transferred \$766,798 for estimated savings from vacant FTE positions from the salaries and wages line item to the new and vacant FTE pool line item and reduced the amount to \$536,759 resulting in the savings as shown.	(140,303)	(89,736)	(230,039)
Increased funding for temporary salaries for internships by \$50,000 and related operating expenses by \$7,032	57,032		57,032
Increased funding for operating expenses related to IT rate increases	49,485	31,133	80,618
Increased funding for IT consultants for security assessments	45,000	90,000	135,000
Added one-time funding for operating expenses related to 1 FTE mineral royalty auditor		3,000	3,000
Added one-time funding for operating expenses related to a peer review required every 3 years	25,000		25,000
Added one-time funding for operating expenses related to migrating to new audit software	25,200	10,800	36,000
Added one-time funding to contract for a performance audit of North Dakota Development Fund (Senate Bill No. 2396)	250,000		250,000
Total	<u>(6.00)</u>	<u>\$2,116,110</u>	<u>(\$478,481)</u>
			<u>\$1,637,629</u>

FTE Changes

The Legislative Assembly approved 59 FTE positions for the State Auditor for the 2025-27 biennium, a decrease of 6 FTE positions from the 2023-25 biennium authorized level of 65 FTE positions. The Legislative Assembly added 1 FTE mineral royalty audit position. The Legislative Assembly removed 7 FTE local government audit positions due to less demand for local government audits.

One-Time Funding

The following is a summary of one-time funding items for the State Auditor for the 2025-27 biennium:

	General Fund	Other Funds	Total
Cost related to new FTE mineral royalty auditor position		\$3,000	\$3,000
Peer review	\$25,000	0	25,000
Audit software migration	25,200	10,800	36,000
Performance audit of the North Dakota Development Fund	250,000	0	250,000
Total	\$300,200	\$13,800	\$314,000

Other Sections in House Bill No. 1004

New and vacant FTE pool line item - Section 3 provides guidelines regarding the use of funding in the new and vacant FTE pool line item.

Salary of the State Auditor - Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium from the current level of \$135,200 to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026, consistent with 2025-27 biennium state employee salary increases.

Related Legislation

House Bill No. 1026 - State bonding fund - This bill moves the administration of the state bonding fund from the Insurance Commissioner to the Office of Management and Budget and provides the State Auditor may, upon notification from the Office of Management and Budget of jeopardized fund interests, investigate the relevant state agency or political subdivision and provide a report. The State Auditor may evaluate blanket bond coverage when conducting an audit of a state agency or political subdivision and recommend changes in the amount of coverage in the audit report. Costs incurred by the State Auditor must be paid from the fund.

Senate Bill No. 2251 - State agency billing - This bill:

- Removes the requirement of the State Auditor to bill for agency audits;
- Eliminates billing limits on the financial statement audits of agricultural commodity groups;
- Clarifies the ability of the State Auditor to bill for the federal single audit;
- Reduces the fee retained by a political subdivision awaiting audit report approval by the State Auditor from 20 percent to 5 percent; and
- Increases the annual receipts threshold for audits of occupational or professional boards from \$200,000 to \$2 million.

A fiscal note prepared by the State Auditor indicates general fund revenue and other funds expenditure reductions of \$343,353 during the 2025-27 biennium.

Senate Bill No. 2299 - Water resource districts - This bill provides the State Auditor may audit or review the financial records of certain water resource districts upon the petition of at least 10 percent or 300 participating members, whichever is fewer.

Senate Bill No. 2396 - North Dakota Development Fund performance audit - This bill provides one-time funding of \$250,000 from the general fund for the State Auditor to contract for a performance audit of the North Dakota Development Fund.