

**Department 110 - Office of Management and Budget
House Bill Nos. 1015 and 1075**

Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	119.00	\$30,497,425	\$12,253,472	\$42,750,897
2015-17 Adjusted Legislative Appropriations ¹	122.50	37,357,027	21,985,390	59,342,417
Increase (Decrease)	(3.50)	(\$6,859,602)	(\$9,731,918)	(\$16,591,520)

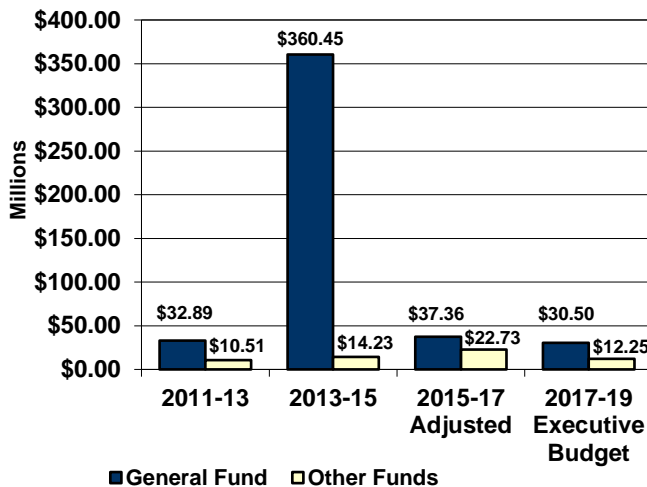
¹The 2015-17 biennium agency appropriation amounts reflect general fund budget reductions made in August 2016, but do not include the following:

- Additional special funds authority of \$1,500,000 resulting from Emergency Commission action during the 2015-17 biennium.
- General fund authority of \$3,750,000 and special funds authority of \$740,000 which was distributed to state agencies from a targeted market equity funding pool included in the original appropriation to the Office of Management and Budget.

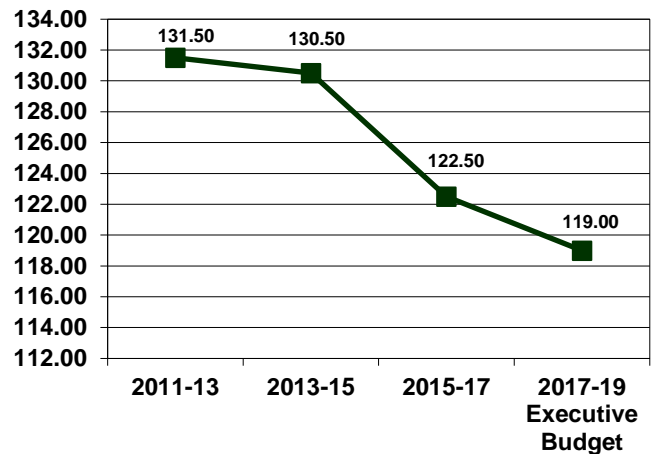
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Executive Budget	\$30,497,425	\$0	\$30,497,425
2015-17 Adjusted Legislative Appropriations	30,826,724	6,530,303	37,357,027
Increase (Decrease)	(\$329,299)	(\$6,530,303)	(\$6,859,602)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 Executive Budget	\$30,497,425	\$12,253,472	\$42,750,897
2017-19 Base Level	30,826,724	7,210,390	38,037,114
Increase (Decrease)	(\$329,299)	\$5,043,082	\$4,713,783

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$84,292 is for salary increases and \$340,576 is for health insurance increases.	\$349,287	\$75,581	\$424,868
2. Adjusts funding for FTE positions, including the removal of 1.5 administrative assistant FTE positions, 1 maintenance FTE position, and 1 computer and networking specialist FTE position	(\$268,321)	\$1,499	(\$266,822)
3. Adds funding for unemployment claims payments		\$2,000,000	\$2,000,000
4. Adjusts funding for operating expenses	(\$152,772)	\$25,000	(\$127,772)
5. Adds funding for extraordinary repairs, including chiller replacement and plumbing upgrades	\$108,066	\$1,000,000	\$1,108,066

6. Adds funding to continue bond payments	\$665,411	\$665,411
7. Removes funding for community service supervision grants (\$500,000) and reduces funding for other grants (\$1,000)	(\$501,000)	(\$501,000)
8. Reduces funding for guardianship grants, from \$1,328,600 to \$1,195,740	(\$132,860)	(\$132,860)
9. Reduces funding for Prairie Public Broadcasting, from \$1,600,000 to \$1,200,000	(\$400,000)	(\$400,000)
10. Removes funding for the state internship program	(\$200,000)	(\$200,000)
11. Adds one-time funding to purchase or to build a surplus property building		\$800,000
12. Adds one-time funding for a cybersecurity insurance funding pool to provide other funds authority which can be transferred to agencies with other funds available to address a cybersecurity incident		\$1,000,000

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

Statewide Dues and Memberships		
	2015-17 Biennium	2017-19 Biennium
Commission on Uniform State Laws (This budget includes travel costs, conference registration, and annual dues.)	\$145,000	\$130,500
Council of State Governments	188,000	188,000
Governmental Accounting Standards Board	6,000	0
Western Governors' Association	74,300	74,300
National Governors Association	81,500	81,500
National Lieutenant Governors Association	1,200	1,200
Education Commission of the States	115,000	115,000
Western Interstate Commission for Higher Education	30,000	0
Total dues and memberships	\$641,000	\$590,500

Other Sections Recommended to be Added in Executive Budget (As Detailed in House Bill No. 1075)

Strategic investment and improvements fund transfer to budget stabilization fund - Section 3 provides for a transfer of \$154.2 million from the strategic investment and improvements fund to the budget stabilization fund during the 2017-19 biennium.

Tax relief fund transfer to budget stabilization fund - Section 4 provides for a transfer of \$300 million from the tax relief fund to the budget stabilization fund during the 2017-19 biennium.

General fund transfer to social services finance fund - Section 5 provides for a transfer of \$275 million from the general fund to the social services finance fund during the 2017-19 biennium.

Strategic investment and improvements fund transfer to general fund - Section 6 provides for a transfer of \$30 million from the strategic investment and improvements fund to the general fund during the 2015-17 biennium. Section 15 provides an emergency clause for the transfer in Section 6. Section 7 provides for a transfer of \$30 million from the strategic investment and improvements fund to the general fund during the 2017-19 biennium.

Unexpended appropriation continuation - Section 8 provides that amounts appropriated to the Fiscal Management Division in Section 1 of Chapter 49 of the 2015 Session Laws are not subject to the provisions of North Dakota Century Code Section 54-44.1-11, which require unexpended appropriations to be canceled at the end of the biennium.

Legislative intent - Section 9 identifies items that are included in the appropriations in Section 1 of the bill.

Cybersecurity remediation funding pool - Section 10 authorizes the Office of Management and Budget to transfer funds appropriated from the cybersecurity remediation funding pool line item to other agencies.

State employee compensation adjustments - Section 11 provides legislative intent that funding provided for state employee salary increases be used to provide a 1 percent salary increase to eligible state employees during the 2017-19 biennium. Employees whose documented performance does not meet standards are not eligible for compensation adjustments.

Tobacco settlement trust fund transfer to general fund - Section 12 amends Section 54-27-25 to transfer 45 percent of the tobacco settlement trust fund revenues to the general fund rather than the common schools trust fund.

Oil and gas tax allocation formula changes - Section 13 amends Section 57-51-15 to remove the allocations to the oil and gas impact grant fund, to decrease the allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$10 million per biennium, and to decrease the allocations to the abandoned oil and gas well plugging and site reclamation fund from \$7.5 million per fiscal year to \$5 million per fiscal year. Section 14 amends Section 57-51.1-07.5 related to the state's share of oil and gas tax allocations to increase the general fund allocation from \$300 million to \$1 billion, to remove the allocation of \$300 million to the tax relief fund, and to provide up to \$3 million to the lignite research fund from the remaining allocations.

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 the Office of Management and Budget conducted by the State Auditor's office during the 2015-16 interim identified the following significant audit findings:

- Insufficient independent reconciliations in the Surplus Property Division (This finding was also identified in the operational audit during the 2013-14 interim).
- Noncompliance with procurement laws due to a lack of proper training in procurement policies and procedures.

The operational audit also included the following informal recommendations:

- All distributions of community service supervision grants should be performed in a timely manner as required by legislation.
- Retention bonus policies should identify eligible positions and the criteria for receiving the bonuses.

Major Related Legislation

House Bill No. 1054 - The bill amends Section 54-44.1-11 to allow the legislative majority leaders and the chairmen of the appropriations committees to approve the continuation of unexpended appropriations and requires the Office of Management and Budget to provide the appropriation continuation requests to the Legislative Council.

House Bill No. 1088 - The bill adds a new section to Chapter 32-12.2 to provide for an information technology security incident response and limits the expenditures from the risk management fund to \$250,000 per incident.

House Bill No. 1090 - The bill clarifies state holidays, removes a provision relating to long-distance telephone calls, and removes the requirement for agencies to provide annual reports to the Office of Management and Budget on procured services.

Office of Management and Budget - Budget No. 110
House Bill Nos. 1015 and 1075
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2017-19 Biennium Base Level	122.50	\$30,826,724	\$7,210,390	\$38,037,114
2017-19 Ongoing Funding Changes				
Base payroll changes		\$202,890	\$141,002	\$343,892
Salary increase - Performance		69,297	14,995	84,292
Health insurance increase		279,990	60,586	340,576
Adjusts funding for FTE positions	(3.50)	(268,321)	1,499	(266,822)
Adds funding for unemployment claims payments			2,000,000	2,000,000
Adjusts funding for operating expenses		(152,772)	25,000	(127,772)
Adds funding for extraordinary repairs		108,066	1,000,000	1,108,066
Adds funding for bond payments		665,411		665,411
Reduces grant funding		(501,000)		(501,000)
Reduces guardianship grants		(132,860)		(132,860)
Reduces funding for Prairie Public Broadcasting		(400,000)		(400,000)
Removes funding for internship program		(200,000)		(200,000)
Total ongoing funding changes	(3.50)	(\$329,299)	\$3,243,082	\$2,913,783
One-time funding items				
Surplus property building			\$800,000	\$800,000
Cybersecurity risk insurance			1,000,000	1,000,000
Total one-time funding changes	0.00	\$0	\$1,800,000	\$1,800,000
Total Changes to Base Level Funding	(3.50)	(\$329,299)	\$5,043,082	\$4,713,783
2017-19 Total Funding	119.00	\$30,497,425	\$12,253,472	\$42,750,897

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

	Executive Budget Recommendation
Strategic investment and improvements fund transfer to budget stabilization fund	Section 3 provides for a transfer of \$154.2 million from the strategic investment and improvements fund to the budget stabilization fund during the 2017-19 biennium.
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Other Sections in Office of Management and Budget - Budget No. 110

Executive Budget Recommendation

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Department 110 - Office of Management and Budget

Appropriations Comparisons to the Original and Adjusted Base Budgets

General Fund Appropriations Adjustments (As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	\$31,708,249	\$8,530,009	\$40,238,258
General fund reductions	(881,525)	(1,999,706)	(2,881,231)
Adjusted 2015-17 appropriations	\$30,826,724	\$6,530,303	\$37,357,027
Executive Budget changes	(329,299)	(6,530,303)	(6,859,602)
2017-19 Executive Budget	\$30,497,425	\$0	\$30,497,425

Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Vacant FTE position savings	(\$230,000)		(\$230,000)
Operating expense reductions related to information technology services	(351,525)		(351,525)
Emergency commission contingency fund	(200,000)		(200,000)
Prairie Public Broadcasting	(100,000)		(100,000)
Health insurance for temporary employees funding pool		(\$1,650,000)	(1,650,000)
Facility management projects, including approximately \$200,000 for small renovation projects, \$120,000 for electrical replacements, and \$30,000 for mailroom equipment upgrades		(349,706)	(349,706)
Total reductions	(\$881,525)	(\$1,999,706)	(\$2,881,231)
Percentage reduction to ongoing and one-time general fund appropriations	2.78%	23.44%	7.16%

¹The percentage reduction is greater than 6.55 percent because the targeted equity funding pool amounts were transferred to other agencies' appropriations.

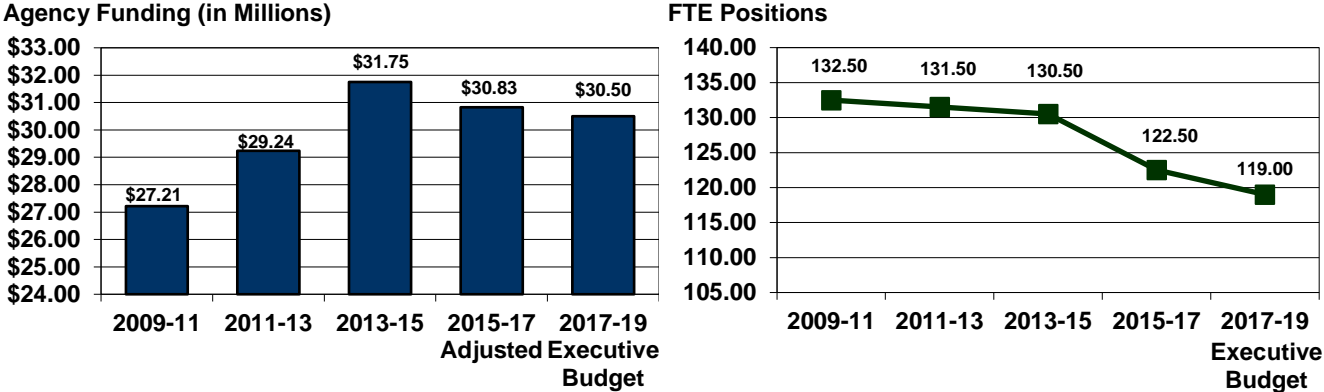
2017-19 Executive Budget Changes to the Original and Adjusted Base Budgets

	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Provides funding for base payroll changes	\$202,890		\$202,890
Adds funding for state employee salary and benefit increases	349,287		349,287
Adjusts funding for FTE positions	(498,321)	\$230,000	(268,321)
Adjusts funding for operating expenses	(504,297)	351,525	(152,772)
Adds funding for extraordinary repairs, including chiller replacement and plumbing upgrades	108,066		108,066
Adds funding to continue bond payments	665,411		665,411
Adjusts funding for emergency commission contingency fund	(200,000)	200,000	0
Removes funding for community service supervision grants	(501,000)		(501,000)
Reduces funding for guardianship grants	(132,860)		(132,860)
Reduces funding for Prairie Public Broadcasting	(500,000)	100,000	(400,000)
Removes funding for the state internship program	(200,000)		(200,000)
Total	(\$1,210,824)	\$881,525	(\$329,299)

Department 110 - Office of Management and Budget

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2009-11



Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing general fund appropriations	\$27,213,055	\$29,238,699	\$31,746,688	\$30,826,724	\$30,497,425
Increase (decrease) from previous biennium	N/A	\$2,025,644	\$2,507,989	(\$919,964)	(\$329,299)
Percentage increase (decrease) from previous biennium	N/A	7.44%	8.58%	(2.90%)	(1.07%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	7.44%	16.66%	13.28%	12.07%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2011-13 Biennium

- 1. Added funding for fiscal management information technology costs \$875,000
- 2. Added funding for additional maintenance funding related to the Heritage Center expansion project \$279,250
- 3. Added funding for human resources management information technology software costs \$54,000
- 4. Added funding for community service supervision grants \$375,000

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 (Executive Budget Recommendation)

- 1. Adjusts funding for FTE positions, including the removal of 3.5 FTE positions (\$268,322)
- 2. Adjusts funding for operating expenses (\$152,772)
- 3. Adds funding for extraordinary repairs, including chiller replacement and plumbing upgrades \$108,066
- 4. Adds funding to continue bond payments \$665,411
- 5. Removes funding for community service supervision grants (\$500,000) and reduces funding for other grants (\$1,000) (\$501,000)
- 6. Reduces funding for guardianship grants, from \$1,328,600 to \$1,195,740 (\$132,860)

- 7. Reduces funding for Prairie Public Broadcasting from \$1,600,000 to \$1,200,000 (\$400,000)
- 8. Removes funding for the state internship program (\$200,000)