

**Office of Management and Budget
House Bill No. 1015**

	FTE Positions	General Fund	Other Funds	Total
2001-03 executive budget (Governor Schafer) (bill as introduced)	153.00	\$20,375,542	\$47,747,445	\$68,122,987
2001-03 legislative appropriations	132.00	18,888,692	9,592,120	28,480,812
Legislative increase (decrease) to executive budget	(21.00)	(\$1,486,850)	(\$38,155,325)	(\$39,642,175)
Legislative increase (decrease) to 1999-2001 appropriations	(20.00)	\$1,481,889	(\$39,196,743)	(\$37,714,854)
2001-03 Governor Hoeven's recommendation	132.00	\$19,182,629	\$9,842,120	\$29,024,749
Legislative increase (decrease) to Governor Hoeven's recommendation	0.00	(\$293,937)	(\$250,000)	(\$543,937)

GOVERNOR HOEVEN'S RECOMMENDATIONS

The Hoeven recommendation consolidated the Department of Economic Development and Finance, the Tourism Department, and the Division of Community Services of the Office of Management and Budget into a department of commerce and therefore reduced the Schafer recommendation by \$39,098,238, of which \$1,192,913 was from the general fund, and 21 FTE positions related to the Division of Community Services.

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

Salaries and Wages

The legislative action affecting the recommended appropriation for the Office of Management and Budget is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015. In addition to the above appropriations, agencies may receive additional funding from the \$5 million appropriated in Section 1 of House Bill No. 1015 for special market equity adjustments for classified state employees whose salaries are the furthest from their respective salary range midpoints.

The Legislative Assembly provided the Central Personnel director a market equity salary increase of \$160.75 per month effective January 1, 2002.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Removed funding for the Division of Community Services (transferred to the Department of Commerce)	(21.00)	(\$1,192,913)	(\$37,905,325)	(\$39,098,238)
Removed new state procurement officer II position and related funding added in the executive recommendation	(1.00)	(137,025)		(137,025)
Added funding and an FTE position for the Risk Management Division to administer a single workers' compensation account for all state entities	1.00		150,000	150,000

Adjusted funding to provide the Central Personnel director a market equity salary increase (the amount included in the executive recommendation was \$88 less than the required amount)	88	88
Added funding for providing services relating to contracts for services	55,000	55,000
Decreased funding for state contingencies from \$600,000 to \$500,000	(100,000)	(100,000)
Decreased funding for the preplanning revolving fund from \$207,000 to \$95,000 to make available a total of \$250,000, an increase of \$50,000 from the 1999-2001 level	(112,000)	(112,000)
Reduced funding for the statewide salary pool for providing equity increases for classified state employees from \$5.4 million to \$5 million		(400,000)
		(400,000)
Total	<u>(21.00)</u>	<u>(\$1,486,850)</u>
		<u>(\$38,155,325)</u>
		<u>(\$39,642,175)</u>

FTE Changes

The 2001-03 biennium appropriation includes funding for 132 FTE positions, a decrease of 20 FTE positions from the 1999-2001 biennium authorized level of 152 FTE positions. The Legislative Assembly did not adopt the executive recommendation to add one new state procurement officer II position, but the Legislative Assembly did add one new FTE position relating to a workers' compensation initiative and removed 21 FTE positions relating to the Division of Community Services which was consolidated into the Department of Commerce.

Capital Improvements

The Legislative Assembly did not change the executive recommendation to provide funding of \$1,320,620 from the general fund for capital improvements on the Capitol grounds. The \$1,320,620 is \$69,620 more than the 1999-2001 appropriation of \$1,251,000, of which \$1,026,000 was from the general fund and \$225,000 was from the Capitol building fund. The following projects are included in the funding level provided for in the 2001-03 biennium:

Life safety projects	\$238,000
Judicial wing roof repairs	190,000
Agency remodeling projects	50,000
Heritage Center cooling tower	100,000
Parking lot and roadway repairs	125,000
Electrical improvements	60,000
Governor's residence maintenance	30,000
Building automation	40,000
Legislative meeting room fire alarm devices	56,000
Carpet	95,000
Judicial wing paver repair	94,000
Card access (Phase II)	30,000
East Department of Transportation tunnel loading dock	38,000
Lighting upgrade and retrofit	27,710
Contingency	100,000

Other projects	46,910
Total	<u>\$1,320,620</u>

State Memberships

The Legislative Assembly did not change the executive recommendation which included \$333,200 from the general fund for state memberships and related expenses as follows:

Governmental Accounting Standards Board	\$4,000
Commission on Uniform State Laws	55,000
Council of State Governments	132,000
Western Governors Association	72,000
National Governors Association	69,000
National Conference of Lieutenant Governors	1,200
Total	<u>\$333,200</u>

State Employee Compensation

State employee compensation guidelines - Section 6 provides the guidelines for state employee compensation adjustments. The Legislative Assembly provided funding for increases of three percent for the first year of the biennium and two percent for the second year of the biennium. Annual increases are to be a minimum of \$35 per month for each permanent employee with any additional increases being based on merit and equity. The Legislative Assembly did not adopt language recommended in the executive budget providing that agencies may provide average salary increases of up to three percent for the second year of the biennium if the increase can be paid for without an increase in the agency's appropriation, but the Legislative Assembly did add language providing that agency salaries and wages appropriations were increased in total by approximately two percent for increased health insurance benefit costs.

Special compensation adjustment guidelines - The Legislative Assembly provided funding of \$5 million, of which \$2.7 million is from the general fund and \$2.3 million is from other funds, for market equity adjustments for classified employees. This represents a decrease of \$400,000 from the executive recommendation and from special compensation adjustment funding provided in the 1999-2001 biennium of \$5.4 million, of which \$2.7 million was from the general fund and \$2.7 million was from other funds. Section 5 provides the guidelines for the distribution of the \$5 million of the statewide compensation plan funding. The special market equity increases are to be prioritized based on equity for employees whose salaries are furthest from their respective salary range midpoints. The special market equity increases may not be given to employees whose salaries exceed the midpoint of their assigned salary range or to employees whose documented performance levels do not meet standards.

Transfers to the General Fund

Special fund transfers - Section 8 provides for the following special fund transfers to the general fund:

Land and minerals trust fund	\$3,545,102
Financial institutions regulatory fund	300,000
Total	<u>\$3,845,102</u>

Bank of North Dakota transfers - Section 11 provides for transfers of \$60 million from the current earnings and accumulated and undivided profits of the Bank of North Dakota to the general fund. This is \$10 million more than the executive recommendation of \$50 million and the \$50 million of transfers during the 1999-2001 biennium authorized by the 1999 Legislative Assembly. The section provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million and that no more than \$15 million of the amount transferred may come from accumulated and undivided profits.

Contingent Bank of North Dakota transfers - Section 12 provides for additional contingent transfers from the Bank's earnings and accumulated and undivided profits to the general fund. The additional contingent transfers may not exceed the lesser of \$25 million or the revenue shortfall of actual collections compared to the March 2001 legislative forecast. The \$25 million represents the amount included in the executive recommendation and is \$15 million less than the \$40 million of contingent transfers authorized by the 1999 Legislative Assembly for the 1999-2001 biennium. The section also provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million.

Student loan trust transfer - Section 13 provides for a transfer of \$9 million from the North Dakota student loan trust to the general fund. The moneys transferred must be in such amounts and at such times as requested by the director of the Office of Management and Budget and may only be transferred upon certification by the student loan trust trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses. The transfer was not included in Governor Schafer's executive recommendation but was included in Governor Hoeven's recommendation.

Other General Fund Revenue

Developmental disabilities revolving loan fund - Section 9 authorizes the director of the Office of Management and Budget to sell developmentally disabled facility loans to the Bank of North Dakota to provide \$2,000,000 for deposit into the state general fund. The Legislative Assembly reduced the proceeds to be realized from the sale by \$700,000 from the \$2,700,000 included in Governor Schafer's executive recommendation to \$2,000,000. The revision was included in Governor Hoeven's recommendation.

Other Sections in Bill

Department of Human Services appropriation - Section 2 appropriates \$125,000 from the general fund to the Department of Human Services for the purpose of reimbursing counties with economic assistance administrative costs in excess of the statewide average. In addition, Section 25 amends North Dakota Century Code (NDCC) Section 50-01.2-03.2 to provide that funds be allocated at 90 percent of the affected county's administrative expenses for economic assistance programs that are in excess of the statewide average.

Federal program termination - Section 14 provides that if federal funding for a program is terminated during the 2001-03 biennium, the administering state agency, department, or institution shall terminate the program. It also provides that if the federal government reduces federal funding by combining the funding for separate programs into a block grant, the agency, department, or institution shall prioritize or reprioritize as necessary.

Statewide radio system engineering plan - Section 15 provides that the State Radio Communications may request a transfer of \$100,000 from the state contingencies appropriation of the Emergency Commission for matching funds from federal or other sources for developing a statewide radio system engineering plan.

State contingencies appropriation - Section 16 provides that the Office of Management and Budget is to transfer, during the 1999-2001 biennium, \$160,000 from the state contingencies appropriation of the Emergency Commission to the emergency fund of the Adjutant General for flood-related expenses for the 1999-2001 biennium.

City flood control special assessment exemption - Section 17 provides a conditional exemption for certain state property from special assessments for flood control.

Additional lodging reimbursement - Section 18 provides that members of the Legislative Assembly may receive additional lodging reimbursement for each calendar day the 2001 Legislative Assembly was in session during the month of April 2001.

Levee protection funding authority - Section 19 provides that the State Water Commission may use up to \$5 million from the resources trust fund or from bond proceeds to provide a cost share for constructing and improving levees at Devils Lake.

Elimination of certain deputy positions - Section 20 provides for the elimination of deputy positions in any agency with fewer than 30 FTE positions. (This section was vetoed by Governor Hoeven.)

Fargo Family Healthcare Center debt - Section 21 provides for the University of North Dakota School of Medicine and Health Sciences to forgive the amount of debt owed by the Fargo Family Healthcare Center of \$395,000, subject to Budget Section approval.

Health insurance company benefit limitations - Section 22 provides for a Legislative Council study of health insurance company benefit limitations.

Interstate banking authorization - Section 23 amends NDCC Section 6-08.3-13 relating to interstate banking.

Capital construction local fund sources - Section 24 creates a new section to NDCC Chapter 15-10 relating to local fund sources for capital construction projects.

Emergency Commission membership - Section 26 amends NDCC Section 54-16-01 to provide that the vice chairman of the Legislative Council may serve as a member of the Emergency Commission in the place of the chairman of the Legislative Council if the chairman is serving on the commission in another capacity or is unable to attend a commission meeting.

911 services - Section 27 amends NDCC Section 54-23.2-09, and Section 30 repeals Section 18 of Chapter 37 of the 1995 Session Laws and Section 12 of Chapter 15 of the 1997 Session Laws relating to the provision of 911 services by the State Radio Communications.

Building construction cost-benefit analyses - Section 28 creates a new section to NDCC Chapter 54-44.1 which requires the Office of Management and Budget, in conjunction with the Information Technology Department, to complete a cost-benefit analysis for each new building construction project requested in state agency budget requests and to report on the cost-benefit analyses for those projects included in the Governor's recommendation to the Legislative Assembly.

Workers' compensation state entities' account - Section 29 creates a new section to NDCC Chapter 65-04 relating to the establishment of a state entities' workers' compensation account.

Related Legislation

State employee bonuses - House Bill No. 1119 allows state agencies to provide bonuses to classified employees.

Recruitment and retention bonus programs - House Bill No. 1120 allows state agencies to develop recruitment and retention bonus pilot programs for hard-to-fill occupations.

Contracts for services - House Bill No. 1125 allows the Office of Management and Budget to procure contracts for services to be provided to state agencies.

Personal motor vehicle use - House Bill No. 1147 allows state agencies to authorize use of employees' personal vehicles and to provide mileage reimbursement at a rate less than the standard mileage reimbursement rate.

Mileage reimbursement - House Bill No. 1197 increases the reimbursement mileage rate for state officers and employees from 25 cents to 31 cents per mile.