

**Office of Management and Budget
Budget 110
Senate Bill No. 2015**

	FTE Positions	General Fund	Other Funds	Total
2003-05 legislative appropriation	162.00	\$19,740,511	\$7,888,476	\$27,628,987
2001-03 legislative appropriation	<u>163.00</u>	<u>20,564,017</u>	<u>8,163,741</u>	<u>28,727,758</u>
2003-05 appropriation increase (decrease) to 2001-03 appropriation	(1.00)	(\$823,506)	(\$275,265)	(\$1,098,771)

Item Description

Capital improvement projects - The 2003 Legislative Assembly appropriated \$663,000 from the general fund for capital improvements on the Capitol grounds. The projects included in the \$663,000 are:

Capitol cooling tower	\$268,000
Chiller overhaul	20,000
Parking lot and roadway repairs	160,000
Building automation	50,000
Wiring improvements	50,000
Agency office remodeling	40,000
Governor's residence maintenance	10,000
Contingency	65,000
Total	\$663,000

State memberships - The Legislative Assembly appropriated \$449,960 from the general fund for state memberships as follows:

Commission on Uniform State Laws	\$66,000
Council of State Governments	138,500
Government Accounting Standards Board	4,000
Western Governors Association	74,300
National Governors Association	69,000
Midwest Governors Association	200
National Conference of Lieutenant Governors	1,200
Education Commission of the States	96,760
Total	\$449,960

Special funds transfers - Senate Bill No. 2015 (2003) provides for the following special funds transfers to the general fund:

Lands and minerals trust fund (section 5)	\$2,000,000
Permanent oil tax trust fund (section 6)	11,910,000
State bonding fund (section 8)	2,800,000
Student loan trust fund (section 12)	11,000,000

Status/Result

The Office of Management and Budget anticipates spending all of the \$663,000 appropriated for capital projects during the 2003-05 biennium.

The state membership amounts are not anticipated to be materially different than projected at the close of the 2003 Legislative Assembly.

The status of the transfers as of April 30, 2004, are:

- **Lands and minerals trust fund** - No transfer has been made.
- **Permanent oil tax trust fund** - \$11,910,000 has been transferred.
- **State bonding fund** - \$1.5 million has been transferred.
- **Student loan trust fund** - No transfer has been made.

The Office of Management and Budget anticipates making the full transfers from these funds by the end of the biennium.

Total	\$27,710,000
-------	--------------

Bank of North Dakota transfers - Section 9 of 2003 Senate Bill No. 2015 provides for transfers of \$60 million from current earnings and accumulated and undivided profits of the Bank of North Dakota to the general fund.

State Radio/Division of Emergency Management Consolidation - On September 18, 2003, Governor Hoeven announced the consolidation of the Division of Emergency Management and State Radio. The intent of the consolidation is to incorporate security and emergency operations with the state's communications network into an integrated State Operations Center. The consolidation was agreed to under a memorandum of understanding between the Office of Management and Budget and the Division of Emergency Management.

State employee compensation pools - Senate Bill No. 2423 provided legislative intent that state agencies eliminate 176 full-time equivalent (FTE) positions--one-half to be achieved by December 31, 2003--(155 FTE positions from executive branch agencies and the Governor's office, excluding other offices of state elected officials and higher education; 13 FTE positions from state elected officials, excluding the Governor's office; and 8 FTE positions from the judicial branch) during the 2003-05 biennium, and the savings resulting from the employee reductions be deposited in the state employee compensation pools established by the Office of Management and Budget. The state employee compensation pool may be supplemented by accumulated savings from other vacant FTE positions in order for executive and judicial branch agencies to provide state employee salary increases of up to 1 percent on January 1, 2004, and up to 2 percent on January 1, 2005. At least 70 percent of the funding for the increases provided must be from pooled savings resulting from employee reductions.

Information technology transfers - Section 2 of House Bill No. 1505 provides for the Office of Management and Budget to transfer \$862,059 from special funds of various state agencies to the Information Technology

It is anticipated that \$30 million will be transferred to the general fund in June 2004 and the remaining \$30 million will be transferred in June 2005.

The management of the State Radio 2003-05 budget, including the payment of salaries and wages, will remain under the authority of the Office of Management and Budget. The Office of Management and Budget 2005-07 budget recommendation will propose the transfer of the State Radio budget to the Division of Emergency Management. The Office of Management and Budget plans to introduce a bill making statutory changes necessary relating to the transfer of responsibilities.

According to an Attorney General's opinion issued on November 7, 2003, Senate Bill No. 2423 does not authorize pay raises to be granted only to employees of those agencies actually generating savings through job elimination, rather employees of any agency in each of the pools are equally eligible for a raise from any money legally available in the pool for that purpose.

The following eight agencies had indicated they would eliminate FTE positions in order to provide a 1 percent salary increase on January 1, 2004:

Agency	FTEs
Tax Commissioner	2.00
Insurance Department	0.50
State Department of Health	3.00
Job Service North Dakota	2.14
Housing Finance Agency	0.92
Bank of North Dakota	1.50
Game and Fish Department	2.00
Workforce Safety and Insurance*	3.86
Total	15.92
*Workforce Safety and Insurance plans to eliminate 3.86 FTE positions and give increases based upon performance as required by statute, not the 1 percent identified in 2003 Senate Bill No. 2423.	

The Office of Management and Budget reported that the executive branch pool and the state elected officials pool did not include sufficient savings from eliminated or vacant positions to allow for state employee salary increases. The judicial branch eliminated four FTE positions prior to January 1, 2004, which generated adequate funding to provide judicial branch employees a 1 percent salary increase effective January 1, 2004.

Section 2 - The Office of Management and Budget transferred the \$862,059 to the Information Technology Department in August 2003. According to an Attorney General's opinion issued on November 20, 2003, the Office of

Department. The transfer relates to information technology reductions for the 2003-05 biennium.

Management and Budget, as the agency responsible for transferring the special fund money, will need to examine on a case-by-case basis each of the special funds for restrictions that prevent the transfer of those funds. The areas to be reviewed were restrictions on the use of special funds, special funds derived from tax levies, special funds derived from contractual relationships, other constitutional limitations, and the impact of federal restrictions.

Based upon determinations made by the Office of Management and Budget in cooperation with the Attorney General's office, \$70,142 of special funds must be returned to state agencies. The total legal transfer to the Information Technology Department was determined to be \$791,917, or \$862,059 less than the funds returned to state agencies as follows:

Agency	Special Funds
Aeronautics Commission	\$6,942
Department of Financial Institutions	7,881
Highway Patrol	9,450
Office of Administrative Hearings	4,311
State Auditor's office	1,465
Insurance Commissioner	37,368
North Dakota Vision Services - School for the Blind	2,725
Total	\$70,142

Section 11 - House Bill No. 1505 provides for the Office of Management and Budget and the Information Technology Department to achieve efficiencies during the 2003-05 biennium relating to the required consolidation of information technology functions, including electronic mail, file and print server administration, data base administration, storage, application server, hosting services, and related equipment. The total accumulated savings to be realized is \$1.4 million, which the Office of Management and Budget is to transfer to the general fund by June 30, 2005.

Section 11 - According to the IT Functional Consolidation Project final recommendations report the 15 agencies identified for staff reductions are estimated to save approximately \$1 million during the 2003-05 biennium. The other agencies impacted by Section 11 of 2003 House Bill No. 1505 are estimated to save an additional \$150,000 during the biennium. However, these savings are based on 24 months and actual savings will depend on individual agency migration plans. In addition, because the savings include federal and special funds designated for specific purposes and programs, the actual amount available for transfer to the general fund will be substantially less than \$1.4 million.