

**Office of Management and Budget
Budget No. 110
Senate Bill Nos. 2015 and 2304**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriations	122.50	\$42,488,258	\$22,725,390	\$65,213,648
2015-17 base budget	130.50	31,746,688	8,730,630	40,477,318
Legislative increase (decrease) to base budget	(8.00)	\$10,741,570	\$13,994,760	\$24,736,330

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 legislative appropriations	\$35,458,249	\$7,030,009	\$42,488,258
2013-15 legislative appropriations	31,546,688 ¹	328,900,000	360,446,688 ¹
2015-17 legislative increase (decrease) to 2013-15 appropriations	\$3,911,561	(\$321,869,991)	(\$317,958,430)
Percentage increase (decrease) to 2013-15 appropriations	12.4%	(97.9%)	(88.2%)

¹The 2013-15 biennium general fund appropriation was reduced by \$200,000 to reflect a transfer of appropriation authority made in Senate Bill No. 2023. See the **Deficiency Appropriations** section below for additional information.

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET 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 Senate Bill No. 2015.

	Changes to Base Budget			Total
	FTE Positions	General Fund	Other Funds	
The legislative action:				
Adjusted funding for base payroll changes for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.	(8.00)	(\$6,614)	(\$1,477,206)	(\$1,483,820)
Added funding for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year.		599,321	118,363	717,684
Added funding for employee health insurance premiums to reflect a premium estimate of \$1,130.22 per month.		351,077	69,587	420,664
Decreased funding for 2013-15 biennium adjustments related to the removal of prior biennium project funding.		(2,620,085)	(430,984)	(3,051,069)

Added funding for Central Services equipment.		200,000	200,000
Added funding for increases in utility costs.	650,000		650,000
Increased funding for Prairie Public Broadcasting ongoing operating costs to provide total funding of \$1.7 million.	362,862		362,862
Increased funding for guardianship grants to provide total funding of \$1,328,600.	500,000		500,000
Increased funding for community supervision grants to provide total funding of \$500,000.	125,000		125,000
Added funding for a targeted equity funding pool.	3,750,000	740,000	4,490,000
Added one-time funding for the student internship program to provide total funding of \$250,000.	50,000		50,000
Added one-time funding for mailroom equipment upgrades.	30,000		30,000
Added one-time funding for various improvement projects including \$175,000 from the general fund for Governor's residence security enhancements, \$50,000 from the general fund for west parking lot repairs, \$310,000 from the Capitol building fund for legislative wing repairs, and \$1.4 million from the Capitol building fund for Capitol entrance and building signs.	225,000	1,710,000	1,935,000
Added one-time funding for a health insurance pool for temporary employees.	2,500,000	2,500,000	5,000,000
Added one-time funding for an energy impact funding pool.	2,400,000	5,565,000	7,965,000
Added one-time funding for facility management projects related to heat pump replacement, carpet replacement, and other maintenance projects.	1,825,009		1,825,009
Added one-time funding for the construction of a new Governor's residence, of which \$4 million is from the Capitol building fund and \$1 million is from donations. (SB 2304)		5,000,000	5,000,000
Total	<u>(8.00)</u>	<u>\$10,741,570</u>	<u>\$13,994,760</u>
			<u>\$24,736,330</u>

FTE Changes

The 2015-17 biennium appropriation includes funding for 122.5 FTE positions, 8 FTE positions less than the 2013-15 authorized level of 130.5 FTE positions. The Legislative Assembly transferred 7 Facilities Management FTE positions to the State Historical Society and 1 vacant FTE position to the Information Technology Department.

One-Time Funding

The following is a summary of one-time appropriations for the 2015-17 biennium for the Office of Management and Budget:

	General Fund	Other Funds	Total
Student internship program	\$50,000		\$50,000
Facilities Management projects	2,030,009		2,030,009
Signage on the Capitol grounds		\$1,400,000	1,400,000
West parking lot repair	50,000		50,000
Health insurance pool for temporary employees	2,500,000	2,500,000	5,000,000
Legislative wing electrical-related repairs		310,000	310,000
Energy impact funding pool	2,400,000	5,565,000	7,965,000
New Governor's residence (SB 2304)		5,000,000	5,000,000
Total	\$7,030,009	\$14,775,000	\$21,805,009

Deficiency Appropriations

In Section 3 of Senate Bill No. 2023, the 2015 Legislative Assembly provided for a transfer of spending authority of \$200,000 from the 2013-15 biennium state contingencies appropriation in the Emergency Commission contingency line item to the Commission on Legal Counsel for Indigents. As a result, the Office of Management and Budget's 2013-15 biennium appropriation was decreased, and the Commission on Legal Counsel for Indigents appropriation authority for the 2013-15 biennium was increased in lieu of providing the commission an additional deficiency appropriation.

State Memberships

The Legislative Assembly provided \$641,000 from the general fund for state dues and memberships, an increase of \$30,000 from the 2013-15 biennium. The schedule below provides information on statewide dues and memberships for the 2013-15 and 2015-17 bienniums.

	2013-15 Biennium	2015-17 Biennium
Commission on Uniform State Laws (This budget includes travel costs, conference registration, and annual dues.)	\$145,000	\$145,000
Council of State Governments	188,000	188,000
Governmental Accounting Standards Board	6,000	6,000
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
Total dues and memberships	\$611,000	\$641,000

Capital Improvements

The Legislative Assembly provided \$1,947,928 from the general fund and \$6,710,000 from other funds for the following extraordinary repairs and projects:

	General Fund	Other Funds	Total
Electrical improvements	\$250,000		\$250,000
Fire safety issues in the judicial wing	650,000		650,000
Install new entrance and building identification signs (Capitol building fund)		\$1,400,000	1,400,000
Mailroom equipment upgrades	30,000		30,000
Mechanical improvements	725,000		725,000
Replace tractor and lawn mower	67,928		67,928
Security enhancements for the Governor's residence	175,000		175,000
West parking lot repair	50,000		50,000
Legislative wing repairs		310,000	310,000
Governor's residence (Capitol building fund and donations)		5,000,000	5,000,000
Total	\$1,947,928	\$6,710,000	\$8,657,928

Transfers to the General Fund

Special funds transfers - In Section 3 of Senate Bill No. 2015, the Legislative Assembly provided for a transfer of \$657 million from the tax relief fund to the general fund during the 2015-17 biennium.

Mill and Elevator Association transfers - The 2009 Legislative Assembly enacted North Dakota Century Code Section 54-18-19 requiring the Industrial Commission to transfer to the general fund 50 percent of the annual earnings and undivided profits of the Mill and Elevator after any transfers to other state agricultural-related programs. In Section 32 of Senate Bill No. 2014, the 2013 Legislative Assembly limited the transfer to \$6,817,200 for the 2013-15 biennium. The 2015 Legislative Assembly did not limit the transfer in the 2015-17 biennium, resulting in an estimated transfer of \$13,775,000.

Budget Stabilization Fund

Chapter 54-27.2 provides any amount in the general fund at the end of the biennium in excess of \$65 million must be transferred to the budget stabilization fund except that the balance in the budget stabilization fund may not exceed 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The June 30, 2015, estimated general fund balance is \$598,664,078, and general fund appropriations for the 2015-17 biennium are \$6,026,162,678. The June 30, 2015, budget stabilization fund balance is \$583,545,799, which exceeds the 9.5 percent limit of \$572,485,454. As a result, a general fund transfer to the budget stabilization fund at the end of the 2013-15 biennium is not anticipated.

State Agency Targeted Market Equity Pool

Section 4 of Senate Bill No. 2015 appropriates \$3.75 million from the general fund and \$740,000 from other funds for a targeted market equity pool. The Office of Management and Budget must prepare a statewide plan that gives priority to employees whose salary is in the first or second quartile of their assigned salary range and to employees whose salary is below the average classified state employee salary level. One-half of the funding is available for market equity adjustments in July 2015 and the remaining amount is available in July 2016. The market equity adjustments must be provided after any general compensation increase authorized by the 64th Legislative Assembly. Employees of the Adjutant General, Veterans' Home, State Department of Health, Department of Human Services, and the Protection and Advocacy Project are eligible for market equity adjustments. Employees whose documented performance levels do not meet standards are not eligible for the market equity increases. The appropriation authority must be transferred from the targeted market equity salary pool line item to the eligible agencies for approved market equity salary adjustments. The Office of Management and Budget is required to report to the Legislative Management regarding its statewide plan and any appropriation authority transferred from the pool.

State Agency Energy Impact Pool

Section 5 of Senate Bill No. 2015 appropriates \$2,400,000 from the general fund and \$5,565,000 from other funds for a state agency energy development impact funding pool. The funding is considered a one-time funding item. The section allows a state agency to submit an application to the Office of Management and Budget to receive a transfer of funds from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The section provides guidelines regarding the documentation required to be submitted by an agency as part of its application for a transfer of funds from the pool. The Office of Management and Budget is to review any submitted applications and provide a recommendation to the Emergency Commission for final approval or rejection. The Office of Management and Budget must report to the Legislative Management regarding the funding distributions, and state agencies must report to the Legislative Management on their plans to discontinue energy impact adjustments.

State Employee Compensation Package

Section 21 of Senate Bill No. 2015 provides 2015-17 biennium performance compensation adjustments for regular classified state employees are to be in a range of 2 to 4 percent for each year of the biennium. The Office of Management and Budget is to develop guidelines for use by state agencies for providing compensation adjustments for regular classified employees in accordance with provisions of this section and Section 54-44.3-01.2. Salary increases for nonclassified employees are to be based on performance and market and are to be in a range of 2 to 4 percent for each year of the biennium. Section 20 of Senate Bill No. 2015 authorizes agencies to transfer appropriation authority between line items as it relates to compensation increases provided by the Legislative Assembly.

Contingent Funding - Department of Transportation - State Highway Investments

Section 7 of Senate Bill No. 2015 provides a contingent transfer of \$20 million from the general fund to the highway fund and appropriates \$20 million from the highway fund to the Department of Transportation for state highway investments. The \$20 million is available only if actual general fund revenues for the period beginning February 1, 2015, and ending June 30, 2015, exceed the legislative estimates for the same period by at least \$20 million.

Section 8 of Senate Bill No. 2015 provides a contingent transfer of \$25.85 million from the strategic investment and improvements fund to the highway fund and appropriates \$25.85 million from the highway fund to the Department of Transportation for state highway investments. The \$25.85 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, exceed the legislative estimates for the same period by at least \$126 million, or if actual general fund revenues for the period beginning July 1, 2015, and ending June 30, 2016, exceed the legislative estimates for the same period by at least \$126 million.

Section 8 of Senate Bill No. 2015 provides a contingent transfer of \$46 million from the general fund to the highway fund and appropriates \$46 million from the highway fund to the Department of Transportation for state highway investments. The \$46 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2016, exceed the legislative estimates for the same period by at least \$250 million.

Contingent Funding - State Board of Higher Education - Building Projects

Valley City State University - Section 8 of Senate Bill No. 2015 provides a contingent appropriation of \$25.85 million from the general fund to the State Board of Higher Education for the Valley City State University fine arts building project and the demolition of two existing buildings. The \$25.85 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, exceed the legislative estimates for the same period by at least \$126 million, or if actual general fund revenues for the period beginning July 1, 2015, and ending June 30, 2016, exceed the legislative estimates for the same period by at least \$126 million. The State Board of Higher Education is required to report to the Budget Section regarding the status of the project if the funding becomes available.

North Dakota State University - Section 8 of Senate Bill No. 2015 provides a contingent appropriation of \$46 million from the general fund to the State Board of Higher Education for the North Dakota State University Dunbar Hall project. The \$46 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2016, exceed the legislative estimates for the same period by at least \$250 million. The State Board of Higher Education is required to certify to the Budget Section that the project conforms to the master plan and space utilization study and receive Budget Section approval to proceed with the project. The State Board of Higher Education may not seek Budget Section approval to proceed with the project until the State Auditor's office completes a performance audit of the North Dakota University System's space utilization study.

Contingent Funding - Department of Public Instruction - Transportation Grants

Section 13 of Senate Bill No. 2015 provides contingent funding of \$3 million from unspent 2015-17 biennium integrated formula payments funding to the Department of Public Instruction for additional transportation grants.

Appropriations to Other State Agencies

Department of Transportation - Section 6 of Senate Bill No. 2015 provides a transfer of \$18 million from the general fund to the highway fund and appropriates \$18 million from the highway fund to the Department of Transportation for state highway investments.

State Auditor - Section 9 of Senate Bill No. 2015 provides an appropriation of \$200,000 from the fees charged to the University System for conducting information technology security audits of the 11 institutions in the University System.

Legislative Assembly meeting rooms - Section 10 of Senate Bill No. 2015 provides one-time funding of \$160,000 from the general fund to the Legislative Assembly for purchasing and installing audio and visual equipment, tables, chairs, and other furnishings in legislative meeting rooms. Section 10 also requires the state court administrator to provide reports to the Legislative Procedure and Arrangements Committee regarding the status of the facility space expansion in the judicial wing.

Legislative Management study - Section 11 of Senate Bill No. 2015 provides one-time funding of \$400,000 from the general fund to the Legislative Council for contracting with consultants for a Legislative Management study of oil and gas tax incentives and oil and gas recovery techniques as provided in Section 42 of the bill.

Judicial branch - Section 12 of Senate Bill No. 2015 provides one-time funding of \$65,693 from the general fund to the judicial branch for additional costs related to the judicial wing remodeling project.

Legislative Management Studies

Budget Section functions study - Section 40 of Senate Bill No. 2015 provides for a Legislative Management study of the functions of the Budget Section including a review of the assigned duties and the ability of the Budget Section to authorize financial decisions.

Transportation funding distributions to political subdivisions study - Section 41 of Senate Bill No. 2015 provides for a Legislative Management study of special transportation funding distributions to political subdivisions including a review of the distribution methods, project coordination, and compliance with legislative intent.

Enhanced oil and gas recovery study - Section 42 of Senate Bill No. 2015 provides for a Legislative Management study of oil and gas recovery and enhanced recovery techniques and the estimated future annual economic impact that would best serve the interests of the state, political subdivisions, and fossil fuel energy production industries.

Other Sections in Senate Bill No. 2015

Capitol building fund - Section 14 identifies that \$1.71 million of the estimated income line item is from the Capitol building fund for Capitol building entrance and signage projects (\$1.4 million) and for legislative wing electrical and ceiling repairs (\$310,000).

Community service supervision grants - Section 15 provides guidelines for the distribution of community service supervision grants. The section also provides appropriation authority for the Office of Management and Budget to distribute additional grants from any funds deposited in the community service supervision fund.

Unexpended appropriation continuation - Section 16 provides that amounts appropriated to the Fiscal Management Division in Section 1 of Chapter 15 of the 2013 Session Laws are not subject to the provisions of Section 54-44.1-11, which require unexpended appropriations to be canceled at the end of the biennium.

Legislative intent - Section 17 provides legislative intent for grants and special items.

State internship program - Section 18 authorizes the Human Resource Management Services Division to transfer appropriation authority for the state student internship program to other agencies.

Temporary employee health insurance pool - Section 19 authorizes the Office of Management and Budget to transfer appropriation authority from the health insurance pool - temporary employees line item to other agencies.

One-time funding - Assistive technology services - Section 22 designates the funding in Senate Bill No. 2289 related to assistive technology services as one-time funding.

Student loan trust fund - Dental health loan repayment program - Section 23 identifies \$360,000 of funding in the estimated income line item in House Bill No. 1004 as funding from the student loan trust fund for the dental health loan repayment program.

Higher education vice chancellors - Section 24 requires the State Board of Higher Education to adopt a policy for the resignation of vice chancellors when a new Commissioner of Higher Education is appointed. **The Governor vetoed this section.**

Legislative public records - Section 25 identifies legislator requests for public records through the Legislative Council as public records.

Legislative meeting rooms - Section 26 clarifies the use of legislative meeting rooms during the interim to include new legislative meeting rooms in the judicial wing.

Retirement benefit changes - Sections 27 and 28 change the provisions of retirement benefits for employees first enrolled after December 31, 2015, to require a combined 90 years of service and age or reaching age 65 prior to retirement and to require an 8 percent per year reduction to benefits for early retirement. Section 29 allows state employees enrolled in the defined contribution retirement plan to transfer to the defined benefits retirement plan.

Alcohol at the Heritage Center - Section 30 allows alcoholic beverages to be served at the Heritage Center during private parties.

Education tax credits - Section 31 amends a subsection created in House Bill No. 1462 to clarify the amount of tax credits that may be claimed for charitable donations to a private institution of primary education effective after tax year 2014.

Enhanced oil recovery tax exemptions - Section 32 amends House Bill No. 1476 relating to a tax exemption for the use of carbon dioxide in enhanced oil recovery for tax events after December 31, 2015.

Eminent domain - Section 33 provides changes to the use of eminent domain by water resource boards. **The Governor vetoed this section.**

Parks and Recreation Department appropriation adjustment - Sections 34 and 35 amend Senate Bill No. 2019 to reduce funding to the Parks and Recreation Department by \$310,299 from the general fund relating to a website application for snowmobile registration.

Management of school fund - Section 36 repeals Section 54-44-06 relating to the Office of Management and Budget's duty to manage the school fund.

University System contingent building project - Section 37 repeals Section 5 of House Bill No. 1003 relating to contingent appropriations for University System building projects. Similar contingent appropriations were added in Section 8 of Senate Bill No. 2015.

Severance payments restriction - Section 38 provides legislative intent to restrict the State Board of Higher Education from providing severance payments to University System legal services employees that transfer to the Attorney General's office.

Airport grants - Section 39 designates oil and gas impact grant funding to the Williston airport (\$39 million) and the Dickinson airport (\$5.8 million).

Emergency clauses - Section 44 provides an emergency clause for \$1.55 million in House Bill No. 1018, for House Bill No. 1255 relating to air ambulance services, and for Section 30 relating to alcoholic beverages at the Heritage Center.

Related Legislation

House Bill No. 1033 - Requires the Office of Management and Budget to determine the amount equal to 15 percent of the principal balance of the legacy fund in accordance with Article X, Section 26, of the Constitution of North Dakota. **The Governor vetoed this bill.**

House Bill No. 1034 - Clarifies the use of the foundation aid stabilization fund and budget stabilization fund for state school aid payments in the event of a general fund revenue shortfall.

House Bill No. 1085 - Requires the Office of Management and Budget to report to the Budget Section on the amount of federal funds appropriated by the Legislative Assembly and the amount of federal funds received by state agencies.

Senate Bill No. 2190 - Provides for the Office of Management and Budget to transfer funds from the abandoned oil and gas well plugging and site reclamation fund to the environmental quality restoration fund.

Senate Bill No. 2304 - Provides an appropriation of \$5 million, of which \$4 million is from the Capitol building fund and \$1 million is from donations, to the Office of Management and Budget for the construction of a new Governor's residence, provides for a selection committee to review at least three preliminary designs presented to the Capitol Grounds Planning Commission, and provides an appropriation of \$50,000 from the general fund to the Governor's office for temporary housing expenses.