

## ANALYSIS OF THE STATE BONDING FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$5,134,541
Add estimated revenues		
Investment income	\$650,000	
State bonding fund claims collections	80,000	
Other income	6,000	
Total estimated revenues		\$736,000
Total available		\$5,870,541
Less estimated expenditures		
Insurance Department - Administration (2003 SB 2010)	\$35,000	
Transfer to the general fund (2003 SB 2015)	2,800,000	
Loss claims payments	140,000	
Claims-related expenses	25,000	
Total estimated expenditures		\$3,000,000
Estimated ending balance - June 30, 2005		\$2,870,541

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$2,005,455. The increase in the estimated balance of \$865,086 is due to the actual July 1, 2003, balance of \$5,134,541 being \$315,086 more than the July 1, 2003, balance estimated at the close of the 2003 legislative session of \$4,819,455, and the 2003-05 revised estimated revenues of \$736,000 being \$550,000 more than the previous estimate of \$186,000. The 2003-05 biennium estimated revenues are more than previously estimated due to an increase in investment income.

The state bonding fund was created in 1915 and is maintained for bond coverage of public employees. The state bonding fund is managed by the Insurance Commissioner and the amount of coverage provided to each state agency, department, industry, and institution is determined by the commissioner based upon the amount of money and property handled and the opportunity for default. North Dakota Century Code Section 26.1-21-09, as amended by the 2003 Legislative Assembly in Senate Bill No. 2015, provides that premiums for bond coverage are to be determined by the Insurance Commissioner but can be waived if the state bonding fund's balance is in excess of \$2 million. Provisions of 2003 Senate Bill No. 2015 lowered the minimum fund balance from \$2.5 million to \$2 million. No premium has been charged possibly since 1953 because the bonding fund's balance has exceeded the minimum level established by the Legislative Assembly.

## ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2003-05 BIENNIUM<sup>1</sup>

Beginning balance - July 1, 2003		\$209,173
Add estimated revenues		
Investment income	\$8,005	
Rentals, royalties, bonuses, and contracts	159,273	
Total estimated revenues		<u>\$167,278</u>
Total available		<u>\$376,451</u>
Less estimated expenditures		
Administrative expenses	\$27,759	
Income payments to counties	5,938 <sup>2</sup>	
Capitol Grounds Planning Commission operating expenses (2003 SB 2015)	25,000	
Capitol Grounds Planning Commission continuing appropriation	50,000	
Total estimated expenditures		<u>\$108,697</u>
Estimated ending balance - June 30, 2005		<u>\$267,754</u>

<sup>1</sup>The analysis does not include the land owned by the fund.

<sup>2</sup>The 1999 Legislative Assembly passed Senate Bill No. 2088 which provides that the Board of University and School Lands is to pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The total fees paid may not exceed 5 percent of the net revenue generated from the original grant lands in that county during the year preceding the payment. The board of county commissioners is to forward a prorated portion of any fees received to the organized townships in which the original grant lands are located. The funds are to be used for the repair, maintenance, and construction of roads and bridges. Any remaining funds are to be used by the county for repair, maintenance, and construction of roads and bridges in unorganized townships in which the original grant lands are located.

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$228,929. The increase in the estimated balance of \$38,825 is due to the actual July 1, 2003, balance of \$209,173 being \$65,149 more than the July 1, 2003, balance estimated at the close of the 2003 legislative session of \$144,024. In addition the 2003-05 revised estimated revenues of \$167,278 is \$20,223 less than the estimate made at the close of the 2003 legislative session of \$187,501 due to a decrease in rentals, royalties, bonuses, and contract revenues.

## ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND INVESTMENT AND INTEREST INCOME FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003 - Investment and interest income		\$0 <sup>1</sup>
Add estimated revenues		
Investment income	\$1,148,058	
School construction loan income	1,342,943	
Oil, gas, and coal impact loan income	310,985	
Total estimated revenues		\$2,801,986 <sup>2</sup>
Total available		\$2,801,986
Less estimated expenditures and transfers		
Administrative expenses	\$20,336	
Transfer to the general fund	2,700,000 <sup>3</sup>	
Total estimated expenditures and transfers		\$2,720,336
Estimated ending balance - June 30, 2005 - Investment and interest income		\$81,650 <sup>4</sup>

<sup>1</sup>Beginning balance - July 1, 2003 - The beginning balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code (NDCC) Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2003, the total value of permanent fund assets was \$56.9 million, of which \$33.6 million was school construction loans receivable, \$2.7 million was coal, oil, and gas impact loans receivable, and \$20.6 million was either invested or was a receivable of investment or other earnings.

<sup>2</sup>Estimated revenues - Current revenue estimates exceed original projections by \$79,456 due to the net effect of investment income exceeding projections and school construction loan income and energy impact loan income being less than projected. Funds held as investment generally earn a higher rate of return than funds used for school construction loans or energy impact loans. As a result of less funds being used for school construction loans and energy impact loans, more funds were held in investments, resulting in additional income for the coal development trust fund.

<sup>3</sup>Transfer to the general fund - 2003-05 biennium - The amount shown is the amount included in the 2003-05 legislative revenue forecast.

<sup>4</sup>Estimated ending balance - The currently estimated ending balance is \$17,800 more than estimated at the close of the 2003 legislative session. The additional ending balance is primarily a result of revised revenue estimates being higher than original projections.

The estimated ending balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to NDCC Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2003, the total value of permanent fund assets was \$56.9 million, of which \$33.6 million was school construction loans receivable, \$2.7 million was coal, oil, and gas impact loans receivable, and \$20.6 million was either invested or was a receivable of investment or other earnings.

**NOTE:** North Dakota Century Code Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota provide that the income from the coal development trust fund must be used first to replace any uncollectible loans made from the fund and any remaining income must be deposited in the general fund. The amounts shown on the preceding analysis include only the income in excess of any allowance for uncollectible loans made from the fund and do not include any revenues or expenses affecting the permanent fund balance.

## **FUND HISTORY**

The coal development trust fund originated in 1979 with passage of House Bill No. 1257, now codified as various sections of NDCC Chapter 57-62. In 1980 the voters of North Dakota approved constitutional measure No. 5, creating Article X, Section 21, of the Constitution of North Dakota and establishing the coal development trust fund as a constitutional trust fund.

North Dakota Century Code Section 57-62-02 provides that 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides that the Board of University and School Lands shall administer the fund and use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits to \$40 million the outstanding principal balance of school construction loans from the coal development trust fund.

North Dakota Century Code Section 57-61-01.5 provides that 70 percent of the money deposited in the coal development trust fund must be transferred to the lignite research fund. Consequently, 30 percent of the coal severance taxes deposited in the fund (9 percent of total coal severance taxes collected) remain in the coal development trust fund to be used for the purposes provided in Section 57-62-02.

## ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$5,753,089
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	\$2,298,326 <sup>1</sup>	
Projected remaining transfers from the tobacco settlement trust fund	2,297,207	
Total revenues		\$4,595,533 <sup>2</sup>
Total available		\$10,348,622
Less expenditures		
State Department of Health		
Tobacco prevention and control (2003 HB 1004)	\$4,700,000 <sup>3</sup>	
Dentists' loan program (2003 HB 1004)	300,000 <sup>4</sup>	
Community health grants (2003 SB 2297)	600,000 <sup>5</sup>	
Tobacco "quit line" (2003 HB 1004)	424,000 <sup>6</sup>	
Department of Human Services		
Breast and cervical cancer assistance (2003 SB 2012)	114,755 <sup>7</sup>	
Total expenditures		\$6,138,755
Estimated ending balance - June 30, 2005		\$4,209,867

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$3,498,037. The increase of \$711,830 is primarily due to the July 1, 2003, biennium beginning balance being more than projected and estimated expenditures for the dentists' loan and tobacco cessation programs being less than originally projected.

<sup>1</sup>Three 2003-05 biennium transfers have been made from the tobacco settlement trust fund as of April 30, 2004, totaling \$2,298,326. Total transfers of \$12,952,041 have been made from the tobacco settlement trust fund to the community health trust fund.

<sup>2</sup>Revenues - Interest earned on the community health trust fund is deposited in the state general fund. The tobacco settlement revenues for the community health trust fund were estimated to be \$5,127,121 for the 2003-05 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$531,588 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the community health trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$5,759,377	\$5,290,078
2001-03	6,114,358	5,363,637
2003-05	5,127,121	4,595,533
2005-07	5,127,121	4,594,413
2007-17 (\$8,223,108/\$7,368,727 per biennium)	41,115,540	36,843,633
2017-25 (\$5,859,149/\$5,250,383 per biennium)	23,436,596	21,001,532
<b>Total</b>	<b>\$86,680,113</b>	<b>\$77,688,826</b>

<sup>3</sup>1999 House Bill No. 1475 (North Dakota Century Code (NDCC) Section 54-27-25) provides that money in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage. The 2003 Legislative Assembly provided an appropriation of \$4.7 million, the same as the 2001-03 biennium appropriation, to the State Department of Health for tobacco prevention and control programs. A total of \$1.6 million has been expended as of April 2004.

<sup>4</sup>2001 Senate Bill No. 2276 (NDCC Chapter 43-28.1) provides for the establishment of a dentists' loan repayment program. Each year the State Health Council is to select up to three dentists who agree to provide dental services in the state. The dentists are eligible to receive funds for the repayment of their educational loans. The funds are payable over a four-year period and may not exceed \$80,000 per applicant. The 2001 Legislative Assembly added intent to Senate Bill No. 2276 that the 2003 Legislative Assembly provide sufficient funds for continuation of the program. The annual selection of the dentist is to be based on the size of the community that will be served as follows:

- One dentist serving a community with less than 2,500 residents.
- One dentist serving a community with less than 10,000 residents.
- One dentist serving a community with 10,000 or more residents.

Three dentists were accepted into the program during the 2001-03 biennium, two serving communities over 10,000 residents (both Minot) and one serving a community with less than 2,500 residents (Larimore). The Legislative Assembly, as provided in 2003 Senate Bill No. 2378, changed the dental loan repayment program effective for the 2003-05 biennium from requiring one dentist from each of the community size categories to providing the highest priority for acceptance into the program to dentists willing to serve the smallest and most underserved communities in North Dakota. As of March 2004 two dentists have been approved for the dental loan repayment program--one dentist serving the Fargo Community Health Center and one serving New Rockford. The 2003 Legislative Assembly appropriated \$380,000 from the community health trust fund for the dental loan repayment program; however, because only three dentists were approved for the program during the 2003-05 biennium actual expenditures are estimated to be only \$300,000.

<sup>5</sup>The community health grant program was established in 2001 Senate Bill No. 2380 (NDCC Section 23-38-01) with the intent to prevent or reduce tobacco usage. The Legislative Assembly, as provided in 2003 Senate Bill No. 2297, appropriated \$600,000 for funding the Community Health Grant Advisory Committee (\$100,000) and for providing for city, county, and state employee tobacco education and cessation programs (\$500,000). In addition, the Legislative Assembly authorized the total unexpended 2001-03 appropriated funds of \$204,052 for city and county tobacco cessation and education programs to be carried forward to the 2003-05 biennium. The State Department of Health, however, does not anticipate expenditures for cessation programs will exceed the original \$500,000 appropriation for the 2003-05 biennium. The grants to cities and counties for cessation programs are to be matched with \$1 of local funds for every \$3 of state funds.

<sup>6</sup>The Legislative Assembly appropriated \$680,000 for establishing a telephone tobacco "quit line." The State Department of Health is negotiating with various providers and is estimating it will cost approximately \$424,000 to implement and operate the "quit line" for the first year. The anticipated startup date for the "quit line" is July 2004. No expenditures have been incurred for the "quit line" as of April 2004.

<sup>7</sup>The Legislative Assembly appropriated \$114,755, the same as the 2001-03 biennium, to the Department of Human Services for providing medical assistance coverage for women screened and found to have breast and cervical cancer.

### **FUND HISTORY**

The community health trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred within 30 days of its deposit in the fund as follows:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

# ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND FOR THE 2003-05 BIENNIUM

Balance - July 1, 2003		\$856,321
Add estimated revenues		<u>2,705,000<sup>1</sup></u>
Total available		\$3,561,321
Less estimated expenditures		
Agriculture Commissioner		
Noxious weed control (2003 SB 2009)	\$1,494,285	
Pesticide disposal project (Safe Send) (2003 SB 2009)	307,436	
Pesticide programs (2003 SB 2009)	387,732	
Agriculture in the classroom program (2003 SB 2009)	50,000	
Saltcedar control (2003 SB 2319)	250,000	
Pesticide Control Board		
Minor use pesticide registration (2003 SB 2009)	200,000 <sup>2</sup>	
Crop Protection Product Harmonization and Registration Board		
Crop protection product registration and labeling and grants (2003 SB 2009)	25,000 <sup>3</sup>	
State Department of Health		
Ground water testing (2003 HB 1004)	200,000	
North Dakota Stockmen's Association environmental services program (2003 HB 1004)	50,000	
Agricultural Experiment Station		
Chemical storage expenditures (2003 HB 1021)	<u>120,000</u>	
Total estimated expenditures		<u>\$3,084,453</u>
Estimated ending balance - June 30, 2005		<u><u>\$476,868</u></u>

<sup>1</sup>The 1999 Legislative Assembly approved Senate Bill No. 2009, which includes a provision increasing the biennial pesticide registration fee by \$50, from \$300 to \$350 only for the 1999-2001 biennium. The \$350 pesticide registration fee was extended for the 2001-03 biennium (2001 House Bill No. 1009) and the 2003-05 biennium (2003 Senate Bill No. 2319). This increase is estimated to generate \$450,000, resulting in \$2.7 million estimated revenues to be deposited in the environment and rangeland protection fund during the 2003-05 biennium. House Bill No. 1066 (2003) provides for a Project Safe Send pesticide and pesticide container collection user fee for rinsate. The rinsate collection fee is to be established at a level that will generate enough revenue to cover the cost of disposal associated with the rinsate that is collected. This fee is estimated to generate \$5,000 in additional revenues to be deposited in the environment and rangeland protection fund.

<sup>2</sup>This amount is transferred to the minor use pesticide fund and appropriated to the Crop Protection Product Harmonization and Registration Board on a continuing basis. House Bill No. 1328 (2001) changed the control of the minor use pesticide fund from the Agriculture Commissioner to the Crop Protection Product Harmonization and Registration Board.

<sup>3</sup>North Dakota Century Code Section 4-35-30 as created by 2001 House Bill Nos. 1328 and 1009 created the Crop Protection Product Harmonization and Registration Board. The duties of the board consist of:

- Identify and prioritize crop protection product labeling needs.
- Explore the extent of authority given to North Dakota under the federal Insecticide, Fungicide, and Rodenticide Act.
- Identify the data necessary to enable registration of a use to occur in a timely manner.
- Determine what research, if any, is necessary to fulfill data requirements for responsibilities of the board.
- Request the Agriculture Commissioner to pursue specific research funding options from public and private sources.
- Request the North Dakota State University Agricultural Experiment Station to pursue specific research to coordinate registration efforts.

- Pursue any opportunities to make more crop protection product options available to agriculture producers in this state through any means the board determines advisable.
- The board may administer a grant program through which agriculture commodity groups may apply for funds to be used to address issues related to the registration of crop protection products.

The members of the Crop Protection Product Harmonization and Registration Board consist of:

- The Governor or the Governor's designee (chairman).
- The Agriculture Commissioner or the commissioner's designee.
- The chairman of the House Agriculture Committee or the chairman's designee.
- The chairman of the Senate Agriculture Committee or the chairman's designee.
- A member of the House or Senate Agriculture Committee who is not a member of the faction in which the committee chairman is a member, appointed by the Legislative Council chairman.
- A crop protection product dealer in the state appointed by the Governor from a list of three nominees submitted by the North Dakota Agricultural Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Grain Growers Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Oilseed Council.
- A representative of the crop protection product manufacturing industry appointed by the chairman of the Legislative Council (nonvoting).
- The director of the Agricultural Experiment Station (nonvoting).

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$322,945. The increase of \$153,923 is due to the July 1, 2003, balance being more than projected.

North Dakota Century Code Section 19-18-02.1 created by 1991 Senate Bill No. 2451 establishes the environment and rangeland protection fund. The fund contains collections from pesticide registration fees. The biennial fee is \$350 per pesticide product registered in the state for the 2003-05 biennium. Of this amount, \$300 is deposited in the environment and rangeland protection fund and \$50 in the general fund. Beginning July 1, 2005, the fee reverts to \$300 for a two-year period, of which \$250 is deposited in the environment and rangeland protection fund and \$50 in the general fund.

## ANALYSIS OF THE STATE FIRE AND TORNADO FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$16,263,796
Add estimated revenues		
Premium collections	\$7,500,000	
Investment income	4,000,000	
Boiler inspection fees	300,000	
Loss claims and insurance recoveries	1,000,000	
Anhydrous ammonia storage facility inspection fund (2003 SB 2010)	<u>175,000</u>	
Total estimated revenues		<u>\$12,975,000</u>
Total available		\$29,238,796
Less estimated expenditures		
Loss claims payments	\$6,500,000	
Insurance Department administration and anhydrous ammonia tank inspection costs (2003 SB 2010)	988,576	
State Fire Marshal program (2003 SB 2003)	300,000	
Firefighters Association grants (2003 SB 2015)	126,000	
Claims-related payments	<u>3,700,000</u>	
Total estimated expenditures		<u>\$11,614,576</u>
Estimated ending balance - June 30, 2005		<u><u>\$17,624,220</u></u>

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$12,563,373. The increase in the estimated balance of \$5,060,847 is primarily due to the actual July 1, 2003, balance of \$16,263,796 being \$1,820,847 more than the July 1, 2003, balance estimated at the close of the 2003 legislative session of \$14,442,949, and the 2003-05 revised estimated revenues of \$12,975,000 being \$1,920,000 more than the previous estimate of \$11,055,000. The 2003-05 biennium estimated revenues are more than previously estimated due to an increase in investment income.

The state fire and tornado fund originated in 1919. The fund is maintained to insure the various political subdivisions and state industries against loss to public buildings and permanent fixtures. North Dakota Century Code Section 26.1-22-14 requires that if the fire and tornado fund balance is less than \$12 million, the Insurance Commissioner must increase assessments on policies.

## ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$8,991,303
Add estimated revenues		
Oil extraction tax allocations	\$4,756,805 <sup>1</sup>	
Total available		\$13,748,108
Less estimated expenditures		
Transfer to foundation aid program	\$0 <sup>2</sup>	
Estimated ending balance - June 30, 2005		\$13,748,108

<sup>1</sup>Estimated revenues - Based on actual oil extraction tax collections through April 2004 and estimated allocations for the remainder of the 2003-05 biennium per the April 2003 executive revenue forecast.

<sup>2</sup>Estimated expenditures - As provided in Article X, Section 24, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. No foundation aid reductions as a result of a revenue shortfall are currently anticipated for the 2003-05 biennium.

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$13,830,327. The decrease in the estimated balance of \$82,219 is due to the actual July 1, 2003, balance of \$8,991,303 being \$80,260 less than the July 1, 2003, balance estimated at the close of the 2003 legislative session of \$9,071,563, and the 2003-05 revised estimated revenues of \$4,756,805 being \$1,959 less than the previous estimate of \$4,758,764.

### FUND HISTORY

The foundation aid stabilization fund was created in 1994 when the voters of North Dakota approved a constitutional amendment, now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction tax revenue be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- Fifty percent (of the 20 percent) to the foundation aid stabilization fund.

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that the director of the budget may order an allotment to control the rate of expenditures of state agencies. This section provides that an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Article X, Section 24, of the Constitution of North Dakota provides that the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. For the period July 1, 2003, through February 29, 2004, \$308,904 of interest from the foundation aid stabilization fund has been allocated to the general fund.

## ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$33,153,183
Add estimated revenues		
2002 government nursing facility funding pool payment (July 2003)	\$13,646,405	
2003 government nursing facility funding pool payment (July 2004)	6,160,761	
Investment earnings	1,800,000	
Loan repayments - Principal and interest	<u>875,000</u>	
Total estimated revenues		<u>\$22,482,166</u>
Total available		\$55,635,349
Less estimated expenditures		
State Department of Health		
Quick response unit pilot project (2003 HB 1004)	\$225,000	
Scholarship and nurses student loan repayment grant program (2003 HB 1004)	489,500	
Bank of North Dakota administrative fee (continuing appropriation)	79,615	
Transfer to the general fund (2003 SB 2012)	<u>35,911,035</u>	
Total estimated expenditures		<u>\$36,705,150</u>
Estimated balance - June 30, 2003		<u><u>\$18,930,199</u></u>

**NOTE:** The estimated June 30, 2005, balance made at the close of the 2003 Legislative Assembly was \$10 million. The increase of \$8,930,199 is due to the July 1, 2003, balance exceeding estimates by \$6.1 million, the July 2003 intergovernmental transfer payment deposit exceeding estimates by \$1.2 million, loan repayments being \$200,000 less than originally projected, and estimated investment earnings of \$1.8 million. The 2003 Legislative Assembly did not anticipate any investment earnings on the fund for the 2005-07 biennium because of the \$1.4 million investment loss during the 2001-03 biennium due to downturn in the stock market. Money in the fund is now invested with the Bank of North Dakota.

The health care trust fund was established by the 1999 Legislative Assembly (Senate Bill No. 2168) for providing nursing alternative loans or grants. The 2001 Legislative Assembly in House Bill No. 1196 provided that money in the fund may be transferred to the long-term care facility loan fund for nursing facility renovation projects and used for other programs as authorized by the Legislative Assembly. Money is generated for the health care trust fund as a result of the Department of Human Services making government nursing facility funding pool payments to two government nursing facilities--McVille and Dunseith. Payments are made based on the average amount Medicare rates exceed Medicaid rates for all nursing care facilities in the state multiplied by the total of all Medicaid resident days of all nursing homes. Federal Medicaid funds are available for these payments and require a state match. Payments are made to the two government nursing facilities and are subsequently returned to the state, less a \$50,000 transaction fee retained by each of the two government nursing facilities. Once returned to the state, the state's matching share is returned to its source, and the federal funds are deposited in the health care trust fund. Money in the fund is invested by the State Investment Board and any investment earnings are retained in the fund. The federal government has adopted rules to eliminate this intergovernmental transfer program. As a result, North Dakota's final intergovernmental transfer payment will be made in July 2004.

## ANALYSIS OF THE LANDS AND MINERALS TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$476,674 <sup>1</sup>
Add estimated revenues		
Production royalties	\$2,341,766	
Mineral leases	72,602	
Oil and gas bonuses	250,224	
Investment earnings	39,074	
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	1,686,676	
Total estimated revenues		\$4,390,342 <sup>2</sup>
Total available		\$4,867,016
Less estimated expenditures and transfers		
Payments to common schools trust fund - Developmentally disabled loan fund Nos. 2 and 3 (2003 SB 2012)	\$2,390,602 <sup>3</sup>	
Transfer to the general fund (2003 SB 2015)	2,000,000	
Administrative costs/other fees	262,136	
Total estimated expenditures and transfers		\$4,652,738
Estimated ending balance - June 30, 2005		\$214,278 <sup>4</sup>

<sup>1</sup>Beginning balance - The actual July 1, 2003, beginning balance is the same as the amount estimated at the close of the 2003 legislative session.

<sup>2</sup>Estimated revenues - Revenues for the 2003-05 biennium are currently estimated to be \$640,773 less than estimated at the close of the 2003 legislative session, primarily as a result of a decrease in anticipated loan repayments from facilities providing services to the developmentally disabled.

<sup>3</sup>Payments to common schools trust fund - 2003-05 biennium - Senate Bill No. 2012 (2003) provides an appropriation of \$3,261,556 from the lands and minerals trust fund to the Department of Human Services for the purpose of making payments of principal and interest to the common schools trust fund for loans made to developmentally disabled loan fund Nos. 2 and 3. However, the Land Department estimates that for the 2003-05 biennium only \$2,390,602 will be required to make the loan payments to the common schools trust fund.

<sup>4</sup>Estimated ending balance - The estimated ending balance is \$163,045 more than estimated at the close of the 2003 legislative session due in part to the payments to the common schools trust fund being less than the amount appropriated in Senate Bill No. 2012 (see footnote 3).

### FUND HISTORY

The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred to the Board of University and School Lands possessory interest in properties obtained by the Bank of North Dakota, including tracts of real property and reserved mineral interests. All income from the sale, lease, and management of the mineral interests relating to these properties is deposited in the lands and minerals trust fund, pursuant to North Dakota Century Code Section 15-08.1-08. The principal and interest of the trust fund may be used only for purposes approved by the Legislative Assembly.

## ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$11,767,657
Add estimated receipts		
Separate two cent coal severance tax	\$1,200,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,375,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,350,000	
Interest income	240,000	
Total estimated receipts		\$6,165,000
Total available		\$17,932,657
Less estimated expenditures		
Administration	\$400,000	
Lignite marketing feasibility studies (nonmatching grants)	1,375,000	
Small research projects	4,731,597 <sup>1,2</sup>	
Demonstration projects	5,113,421 <sup>1,2</sup>	
Total estimated expenditures		\$11,620,018
Estimated ending balance - June 30, 2005		\$6,312,639 <sup>3</sup>

<sup>1</sup>The Industrial Commission has a policy that 30 percent of lignite research fund income will be used for small research projects and 70 percent for large demonstration research projects. The commission has further directed that no single large demonstration project can receive more than 37.5 percent of available funds.

<sup>2</sup>The Industrial Commission has waived the fund allocation policy and has committed an additional \$10,146,524 through the 2007-09 biennium with \$2,996,524 in demonstration project expenditures anticipated during the 2003-05 biennium for the Lignite Vision 21 Project. The remaining \$7,150,000 is committed for payment in the 2005-07 and 2007-09 bienniums. The object of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota.

<sup>3</sup>The 2003 Legislative Assembly appropriated \$16,270,000 for lignite research grants; however, at present, the Industrial Commission anticipates spending \$11,620,018 for lignite research activities during the 2003-05 biennium. As stated in footnote 2, the Industrial Commission has committed to the expenditure of \$7,150,000 during the 2005-07 and 2007-09 bienniums for the next phases of the Lignite Vision 21 Project.

**NOTE:** North Dakota Century Code Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

## ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$12,800,761
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	\$683,636	
Total estimated revenues		\$683,636
Total available		\$13,484,397
Less estimated expenditures	\$0	
Transfer to the general fund (Section 6 of 2003 SB 2015)	11,910,000	
Total estimated expenditures		\$11,910,000 <sup>1</sup>
Estimated ending balance - June 30, 2005		\$1,574,397

<sup>1</sup>Pursuant to North Dakota Century Code Section 57-51.1-07.2, the principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$734,700. The increase in the estimated balance of \$839,697 is the net effect of the actual July 1, 2003, balance of \$12,800,761 being \$890,761 more than the July 1, 2003, balance estimated at the close of the 2003 legislative session of \$11,910,000, and the estimated revenues being \$51,064 less than the previous estimate of \$734,700.

North Dakota Century Code Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that biennium derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year.

## ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$20,129,911
Add estimated revenues		
Oil extraction tax collections	\$9,386,342	
Repayments and reimbursements	1,795,704	
Investment earnings/miscellaneous	<u>743,520</u>	
Total estimated revenues		<u>\$11,925,566</u>
Total available		\$32,055,477
Less estimated expenditures		
State Water Commission		
Grants and administration (2003 SB 2022)	<u>31,150,000<sup>1</sup></u>	
Total estimated expenditures		<u>\$31,150,000</u>
Estimated ending balance - June 30, 2005		<u><u>\$905,477</u></u>

<sup>1</sup>The Legislative Assembly appropriated \$13,650,000 from the resources trust fund to the State Water Commission for water development projects. Section 10 of Senate Bill No. 2022 provides if 2003-05 biennium revenues are in excess of \$13,650,000, any excess is appropriated to the State Water Commission, subject to Emergency Commission approval. In January 2004, the Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual beginning balances of each of the funds. Actual expenditures during the 2001-03 biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund. The July 1, 2003, beginning balance of the resources trust fund was estimated to be \$3.7 million at the close of the 2003 legislative session. In addition, the Emergency Commission and Budget Section approved an additional \$3 million of spending authority from the resources trust fund for water projects based on 2003-05 biennium estimated revenues. The adjusted spending authority for water projects is approximately \$13 million (excluding estimated bond payments) from the water development trust fund and \$31,150,000 from the resources trust fund.

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$1,334,594. The decrease of \$429,117 is primarily due to the increase in authorized expenditures from the fund.

### FUND HISTORY

The resources trust fund was created pursuant to passage of measure No. 6 in the November 1980 general election. Measure No. 6 created a 6.5 percent oil extraction tax, 10 percent of which was to be allocated to the resources trust fund. In June 1990 the Constitution of North Dakota was amended to establish the resources trust fund as a constitutional trust fund and provide that the principal and income of the fund could be spent only upon legislative appropriations for:

- Constructing water-related projects, including rural water systems.
- Energy conservation programs.

In November 1994 the voters of North Dakota approved a constitutional amendment, which is now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction taxes be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- Fifty percent (of the 20 percent) to the foundation aid stabilization fund.

North Dakota Century Code Section 57-51.1-07 provides that oil extraction tax revenues be distributed as follows:

- Twenty percent to the resources trust fund.
- Twenty percent allocated as provided in Article X, Section 24, of the Constitution of North Dakota.
- Sixty percent to the general fund.

# ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2003-05 BIENNIUM

Balance - July 1, 2003		\$0
Add estimated receipts		
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)		\$69,699,899
Total available		\$69,699,899
Less estimated expenditures		
Payments to political subdivisions		
County share (53.7%)	\$37,428,846	
City share (46.3%)	32,271,053	
Total estimated expenditures		\$69,699,899
Estimated ending balance - June 30, 2005		\$0

**NOTE:** The amounts shown above reflect the 2003-05 revenue forecast as approved by the 2003 Legislative Assembly. Through March 2004, state aid distribution fund receipts have exceeded estimates made at the end of the 2003 Legislative Assembly by approximately \$1,072,796 due to higher than anticipated sales and motor vehicle excise tax collections.

North Dakota Century Code (NDCC) Section 57-39.2-26.1 provided, prior to January 1, 1999, for a portion of sales, use, and motor vehicle excise tax collections equal to 60 percent of an equivalent one cent sales tax to be deposited by the State Treasurer in the state aid distribution fund. The State Tax Commissioner certified to the State Treasurer the portion of sales, use, and motor vehicle excise tax net revenues that were deposited in the state aid distribution fund. The state aid distribution fund had historically been allocated, subject to legislative appropriation, with 50 percent of revenues for state revenue sharing and 50 percent for personal property tax replacement.

The 1997 Legislative Assembly amended NDCC Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of an equivalent one cent sales tax instead of an amount equal to 60 percent of an equivalent one cent sales tax. In addition, a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions.

The 1997 Legislative Assembly also changed the allocation of the state aid distribution fund from 50 percent for personal property tax replacement and 50 percent for revenue sharing to 53.7 percent for counties and 46.3 percent for cities. The allocation for each county includes townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison Diversion Conservancy District, the South-west Water Authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within the cities. The allocation for each city includes park districts and other taxing districts within the city, excluding school districts. The county allocation to townships must be based on the same percentage allocation that a township received in calendar year 1996.

House Bill No. 1025 (2003), which became effective on August 1, 2003, revised the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 federal census. The bill provides for total distribution percentages to cities and counties to remain at 53.7 percent to counties and 46.3 percent to cities; however, the allocation formula to specific counties and cities is:

	Population Category		
	Counties	Percentage	Cities (Based on Population)
17 counties with the largest population (allocated equally)	20.48	80,000 or more	19.4
17 counties with the largest population (allocated based on population)	43.52	20,000 or more but less than 80,000	34.5
Remaining counties (allocated equally)	14.40	10,000 or more but less than 20,000	16.0
Remaining counties (allocated based on population)	21.60	5,000 or more but less than 10,000	4.9
		1,000 or more but less than 5,000	13.1
		500 or more but less than 1,000	6.1
		200 or more but less than 500	3.4

Total	100.00	Less than 200 Total	2.6 100.0
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## ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2003-05 BIENNIUM <sup>1</sup>

Beginning balance - July 1, 2003		\$53,240,000
Add estimated revenues		
Net fund earnings	\$3,188,316	
Total available		\$56,428,316
Less estimated expenditures		
Transfers to the general fund	\$26,258,969 <sup>2</sup>	
Transfers to guarantee agency and the Industrial Commission	4,177,000	
Total estimated expenditures		\$30,435,969
Estimated ending balance - June 30, 2005		\$25,992,347

<sup>1</sup>This analysis reflects estimated revenues, expenditures, and ending balance for the **1979 bond resolution only**.

<sup>2</sup>The 2003 Legislative Assembly provided for the following transfers totaling \$26,258,969 from the student loan trust fund to the general fund:

- Section 12 of Senate Bill No. 2015 - \$11,000,000
- Section 19 of House Bill No. 1003 - \$14,258,969
- Section 6 of House Bill No. 1019 - \$1,000,000

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$26,690,000. The decrease in the estimated balance of \$697,653 is the net effect of the 2003-05 revised estimated revenues of \$3,188,316 being \$1,347,684 less than the previous estimate of \$4,536,000, and the 2003-05 revised estimated expenditures of \$30,435,969 being \$803,031 less than the previous estimate of \$31,239,000.

### FUND HISTORY

The 1971 Legislative Assembly authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created, which enabled the state to sell tax-exempt bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund is not in the business of making loans to students or servicing loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, and 1992. The second general bond resolution referred to as the 1996 bond resolution includes funds from bonds issued in 1996, 1997, 1998, and 2000. All issuances with bonds outstanding are insured by Ambac Insurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in a general bond resolution have matured, been redeemed or defeased, and all expenses paid, any remaining assets held under the general bond resolution would be transferred to the Industrial Commission for use at its discretion. In order to use assets held under the general bond resolution for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive permission from the bond insurer, and the trustee of the bond (Bank of North Dakota) would have to certify that sufficient reserves remain for bond payments and other related program costs.

The 2003 Legislative Assembly with the passage of Senate Bill No. 2232 authorized the Industrial Commission to issue subordinate or residual bonds of up to \$23 million. The Industrial Commission is planning on issuing subordinate or residual bonds during calendar year 2004.

The 2003 Legislative Assembly with the passage of Senate Bill No. 2335 allowed the Bank of North Dakota to invest up to \$5 million in North Dakota alternative and venture capital investments and early-stage capital funds. The funds can be invested directly into a project or can be lent to the North Dakota Development Fund for investment in a project. The Legislative Assembly also authorized the Bank of North Dakota to request from the Industrial Commission a transfer from the student loan trust fund to reimburse the Bank for any losses incurred from investments in North Dakota alternative and venture capital and early-stage capital funds. Any gains from investments in North Dakota alternative and venture capital and early-stage capital funds must first be applied to reimburse any losses incurred by the student loan trust fund. Once the student loan trust fund has been made whole, the Bank of North Dakota and the student loan trust fund are to share additional revenue based on a formula determined by the Industrial Commission. As of March 2004, the Bank of North Dakota has committed funding of \$2.5 million for one project.

## ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$0
Add revenues		
Tobacco settlement revenues collected to date	\$22,983,256 <sup>1</sup>	
Projected tobacco settlement revenues	22,972,067	
Total revenues		\$45,955,323 <sup>2</sup>
Total available		\$45,955,323 <sup>3</sup>
Less expenditures and transfers		
Transfers to the community health trust fund (10%)	\$4,595,533	
Transfers to the common schools trust fund (45%)	20,679,895	
Transfers to the water development trust fund (45%)	20,679,895	
Total expenditures and transfers		\$45,955,323
Estimated ending balance - June 30, 2005		\$0

<sup>1</sup>Three 2003-05 biennium tobacco settlement payments have been received by the state as of April 30, 2004, totaling \$22,983,256. Total tobacco settlement collections of \$129,520,403 have been received by North Dakota.

<sup>2</sup>Revenues - 1999 House Bill No. 1475 (North Dakota Century Code Section 54-27-25) provides that interest on the money in the tobacco settlement trust fund must be retained in the fund, and the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the money in the tobacco settlement trust fund will increase the amount available for transfers to the other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis. Tobacco settlement revenues collected to date have been transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

<sup>3</sup>The tobacco settlement proceeds for the 2003-05 biennium were estimated to be \$51,271,214 at the end of the 1999 legislative session. The decrease in the amount of tobacco settlement revenues collected for the biennium of \$5,315,891 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The total original estimated tobacco settlement collections made during the 1999 legislative session and the total estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	45,955,323
2005-07	51,271,214	45,944,134
2007-17 (\$82,231,080/\$73,687,266 per biennium)	411,155,400	368,436,330
2017-25 (\$58,591,490/\$52,503,832 per biennium)	234,365,960	210,015,328
<b>Total</b>	<b>\$866,801,136</b>	<b>\$776,888,262</b>

### **FUND HISTORY**

North Dakota Century Code Section 54-27-25 created by 1999 House Bill No. 1475 established a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund, including interest, must be transferred within 30 days of their deposit in the fund as follows:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

## ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND FOR THE 2003-05 BIENNIUM

Balance - July 1, 2003		\$4,575,651
Add estimated revenues		
Investment income	\$210,000	
Sale of two vans	9,400	
Miscellaneous income - Refund	9,020	
Total estimated revenues		\$228,420
Total available		\$4,804,071
Less estimated expenditures		
Department of Veterans Affairs - Anticipated expenditures pursuant to continuing appropriation authority contained in Article X of the North Dakota Constitution as approved by the voters in November 1996		
Grants	\$200,000	
Salaries	67,500	
Rent	6,080	
Staff training	4,000	
Operating expenses	2,600	
Vehicles - Vans	20,000	
Other veterans' programs	4,000	
Administrative committee travel	9,000	
Total estimated expenditures		\$313,180
Estimated ending balance - June 30, 2005		\$4,490,891

**NOTE:** The principal balance of the fund is \$4,101,849, leaving an estimated available investment income balance of \$389,042 as of June 30, 2005. The Administrative Committee on Veterans Affairs has a policy of reserving a portion of the investment income balance to generate additional investment income. By the end of the 2003-05 biennium, the committee anticipates reserving \$250,496 of the investment income balance for this purpose.

The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$4,126,751. The increase of \$364,140 is due primarily to the July 1, 2003, balance being more than projected.

### FUND HISTORY Established

The fund was created by Section 6 of 1981 Senate Bill No. 2271:

SECTION 6. TRANSFER OF VIETNAM BONUS FUNDS TO VETERANS' POSTWAR TRUST FUND. All unobligated moneys in the Vietnam veterans' adjusted compensation funds in the state treasury after July 1, 1981, shall be transferred by the state treasurer to the veterans' postwar trust fund. Any obligations of such funds as a result of any amendment of section 37-25-10 by the forty-seventh legislative assembly shall be paid out of the veterans' postwar trust fund and the moneys necessary to meet those obligations are hereby appropriated.

#### **1988 Initiated Measure No. 4**

Initiated measure No. 4, approved by the voters in the November 1988 general election, provided the following:

- Established the veterans' postwar trust fund as a permanent fund.
- Required the State Treasurer to transfer \$740,000 per year for five years commencing July 1, 1989, from the state general fund or other sources as appropriated by the Legislative Assembly to the veterans' postwar trust fund to total \$3.7 million.
- Appropriated the income from the veterans' postwar trust fund on a continuing basis to the Administrative Committee on Veterans Affairs to be spent for veterans' programs as authorized by law.
- Required the State Treasurer to invest the fund in legal investments as provided by North Dakota Century Code Section 21-10-07.

The principal balance in the fund on December 8, 1988, was \$401,849.

Senate Bill No. 2009 (1989) transferred \$1,480,000, \$740,000 on July 1, 1989, and \$740,000 on July 1, 1990, from the state general fund to the veterans' postwar trust fund. The bill also appropriated up to \$274,000 of investment income earned on the veterans' postwar trust fund balance to the Veterans Home for its operating costs. Because of net budget reductions during the 1989-91 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1989-91 biennium was reduced by \$95,005, from \$740,000 to \$644,995.

Senate Bill No. 2001 (1991) transferred \$1,575,005 from the general fund to the veterans' postwar trust fund during the 1991-93 biennium. This amount restored the \$95,005 which was not transferred during the 1989-91 biennium because of net budget reductions. Because of budget allotments ordered by the Governor during the 1991-93 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1991-93 biennium was reduced by \$5,670, from \$740,000 to \$734,330.

House Bill No. 1001 (1993) transferred \$745,670 from the general fund to the veterans' postwar trust fund during the 1993-95 biennium. This was the final transfer required by the initiated measure and includes \$5,670 to restore the reduction made during the 1991-93 biennium because of budget reductions.

#### **1996 Initiated Constitutional Measure No. 4**

Initiated constitutional measure No. 4, approved by the voters in the November 1996 general election, created the following new section to Article X of the North Dakota Constitution:

The veterans' postwar trust fund shall be a permanent trust fund of the state of North Dakota and shall consist of moneys transferred or credited to the fund as authorized by legislative enactment. Investment of the fund shall be the responsibility of the state treasurer who shall have full authority to invest the fund only in the same manner as the state investment board is authorized to make investments. All income received from investments is to be utilized for programs which must be of benefit and service to veterans, who are defined by legislative enactment, or their dependents, and such income is hereby appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure upon those programs selected at the discretion of the administrative committee on veterans' affairs.

## ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2003-05 BIENNIUM

Beginning balance - July 1, 2003		\$9,409,511
Add revenues		
Transfers to date from tobacco settlement trust fund	\$10,342,465 <sup>1</sup>	
Projected remaining transfers from tobacco settlement trust fund	10,337,430	
Total estimated revenues		\$20,679,895 <sup>2</sup>
Total available		\$30,089,406
Less expenditures		
Transfer to the general fund (2003 SB 2022)	\$10,070,373 <sup>3</sup>	
State Water Commission		
Water development projects (2003 SB 2022)	13,021,452 <sup>4</sup>	
Bond payments	5,424,773 <sup>4,5</sup>	
Repayment of 2001-03 loans used for the state's matching share of federal disaster relief funding		
University of North Dakota (2003 HB 1003)	1,193,146 <sup>6</sup>	
North Dakota State University (2003 HB 1003)	262,928 <sup>6</sup>	
Parks and Recreation Department (2003 SB 2021)	575,287 <sup>7</sup>	
Total expenditures		\$30,547,959 <sup>8</sup>
Estimated ending balance - June 30, 2005		(\$458,553) <sup>9</sup>

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was (\$1,067,295). The increase of \$608,742 is primarily due to the Emergency Commission and Budget Section approvals of the transfer of spending authority for water development projects of the State Water Commission from the water development trust fund to the resources trust fund.

<sup>1</sup>Three 2003-05 biennium transfers have been made from the tobacco settlement trust fund as of April 30, 2004, totaling \$10,342,465. Total transfers of \$58,284,181 have been made from the tobacco settlement trust fund to the water development trust fund.

<sup>2</sup>Revenues - Interest earned on the water development trust fund is deposited in the state general fund. The tobacco settlement revenues for the water development trust fund were estimated to be \$23,072,046 for the 2003-05 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$2,392,151 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the water development trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$25,917,197	\$23,805,353
2001-03	27,514,610	24,136,363
2003-05	23,072,046	20,679,895
2005-07	23,072,046	20,674,860
2007-17 (\$37,003,986/\$33,159,270 per biennium)	185,019,930	165,796,350
2017-25 (\$26,366,170/\$23,626,724 per biennium)	105,464,680	94,506,896

Total	\$390,060,509	\$349,599,717
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<sup>3</sup>The 2003 Legislative Assembly authorized, in Section 15 of 2003 Senate Bill No. 2022, a transfer of \$10,070,373 from the water development trust fund to the general fund. The 2003-05 biennium appropriation for the State Water Commission's administrative expenses of \$9,385,396 is funded from the general fund.

<sup>4</sup>Senate Bill No. 2022 (2003) includes \$32,946,225 from the water development trust fund to the State Water Commission. The funding is for bond payments (approximately \$5.4 million), reimbursement to the State Department of Health for nonpoint sources of pollution control expenses (up to \$300,000), and other water control projects (approximately \$27.2 million). The Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual July 1, 2003, beginning balances and the corresponding 2003-05 biennium appropriation of each of the funds. Actual expenditures during the 2001-03 biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund. The July 1, 2003, beginning balance of the water development trust fund was estimated to be \$23.3 million at the close of the 2003 legislative session. The adjusted spending authority from the water development trust fund for water development projects (\$13,021,452) and bond payments (\$5,424,773) is \$18,446,225.

<sup>5</sup>Senate Bill No. 2188 (1999) (North Dakota Century Code (NDCC) Section 61-02.1-02) authorized the State Water Commission to borrow up to \$84.8 million for state water projects to be repaid from the water development trust fund. In March 2000 the State Water Commission issued bonds totaling \$27.5 million (\$23 million for the Grand Forks flood control and \$4.5 million for the Southwest Pipeline Project). The 2003 Legislative Assembly authorized, in Senate Bill No. 2022, the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium. Bond payments on the March 2000 issuance for the 2003-05 biennium will be approximately \$5.4 million. The State Water Commission does not anticipate issuing additional bonds during the first year of the 2003-05 biennium, thus any additional bond payments would not be due until the 2005-07 biennium.

<sup>6</sup>The federal disaster relief loans were repaid as appropriated from the water development trust fund for the University of North Dakota and North Dakota State University.

<sup>7</sup>As of April 2004 the Parks and Recreation Department has used \$250,865 from the water development trust fund to pay for principal and interest on a \$250,000 Bank of North Dakota loan the department received during the 2001-03 biennium. The department does not know the additional amount of disaster relief funding it will need until the Federal Emergency Management Agency projects are closed. The department anticipates the projects will be closed by the end of the 2003-05 biennium.

<sup>8</sup>Senate Bill No. 2022 (2003) appropriated to the State Water Commission a total of \$32,946,225 from the water development trust fund. The Legislative Assembly also authorized the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium and appropriated \$13,650,000 from the resources trust fund for purposes authorized by the Legislative Assembly. In January 2004 the Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual beginning balances of each of the funds. In addition, the Emergency Commission and Budget Section approved an additional \$3 million of spending authority from the resources trust fund for water projects based on 2003-05 biennium estimated revenues. The adjusted spending authority for water control projects is \$13 million (excluding bond payments of \$5.4 million) from the water development trust fund, \$31,150,000 from the resources trust fund, and \$60 million from bond issuances.

<sup>9</sup>If adequate money is not available in the fund to provide for the appropriations and transfers as current projections indicate, expenditures will need to be reduced to maintain a positive ending balance.

#### FUND HISTORY

North Dakota Century Code Section 54-27-25, created by 1999 House Bill No. 1475, established a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred within 30 days of its deposit in the fund as follows:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with money appropriated from the water development trust fund.