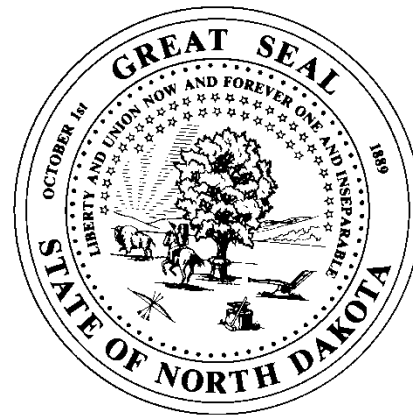


ANALYSIS OF 2017-19 EXECUTIVE BUDGET

Supplement to the

Report of the Legislative Management

Budget Section



65th Legislative Assembly

January 2017

LEGISLATIVE ANALYSIS OF 2017-19 EXECUTIVE BUDGET SUPPLEMENT TO THE REPORT OF THE LEGISLATIVE MANAGEMENT'S BUDGET SECTION

North Dakota Century Code Section 54-44.1-07 directs the Director of the Budget to present the budget and revenue proposals recommended by the Governor to the Legislative Assembly at the organizational session. On December 7, 2016, the Legislative Assembly met in joint session to receive from Governor Jack Dalrymple the executive budget and revenue proposals. After adjournment of the organizational session, the Budget Section, chaired by Senator Gary A. Lee, heard the detailed presentation of the Governor's budget on December 7, 2016. The Governor's proposed budget is for the period beginning July 1, 2017, through June 30, 2019, or the 2017-19 biennium.

An analysis of the recommended appropriations and estimated revenues contained in the 2017-19 Governor's budget are included in this supplement to the Budget Section report.

The narrative and schedules in this report are prepared to assist members of the Legislative Assembly in analyzing the executive recommendations. Please refer to the index on the following pages for a listing of information included in the report.

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SUMMARY OF KEY RECOMMENDATIONS

GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2017	\$10,980,773 ¹
Add estimated 2017-19 biennium general fund revenues and transfers	4,813,426,208
Total resources available	\$4,824,406,981
Less recommended 2017-19 biennium general fund appropriations	4,780,662,854 ²
Estimated general fund balance - June 30, 2019	\$43,744,127 ³

¹This amount reflects the following recommendations proposed to occur prior to July 1, 2017:

- Estimated general fund turnback of \$38,120,000 for the 2015-17 biennium.
- A transfer of \$30 million from the strategic investment and improvements fund to the general fund.

²The executive budget does not identify any one-time general fund appropriations.

³Projected June 30, 2019, balances for other major special funds are as follows:

- Strategic investment and improvements fund unobligated balance - \$331.6 million
- Tax relief fund - \$0.0 million
- Foundation aid stabilization fund - \$38.8 million undesignated balance
- Budget stabilization fund - \$454.2 million
- Legacy fund - \$5,185.7 million

TOTAL APPROPRIATIONS SUMMARY

	2015-17 Adjusted Legislative Appropriations	Increase (Decrease)	2017-19 Executive Budget
General fund	\$5,686,674,901	(\$906,012,047)	\$4,780,662,854
Estimated income	8,290,287,409	404,395,409	8,694,682,818
Total all funds	\$13,976,962,310	(\$501,616,638)	\$13,475,345,672

2017-19 BIENNIUM GENERAL FUND REVENUES

1. Reflects total **general fund resources** of \$4,824 million, a decrease of \$1,413 million, or 23 percent, compared to the 2015-17 biennium revenues as projected at the close of the May 2015 legislative session.
2. Includes an **estimated beginning general fund balance** of \$11 million after a transfer of \$30 million from the strategic investment and improvements fund during the 2015-17 biennium. The projected July 1, 2017, balance made at the close of the May 2015 legislative session was \$211 million.
3. Includes estimated **unspent 2015-17 biennium general fund appropriation authority** of \$38 million at the end of the 2015-17 biennium, including \$33 million related to state school aid payments.
4. Major areas of **revenue change** compared to the 2015-17 biennium August 2016 forecast include:

- a. Sales and use taxes **increasing** by \$77.7 million, or 4.2 percent.
 - b. Individual income taxes **increasing** by \$22.1 million, or 3.2 percent.
 - c. Corporate income taxes **decreasing** by \$37.0 million, or 23.3 percent.
 - d. Oil and gas tax collections **increasing** by \$700 million, or 233 percent.
 - e. Insurance tax collections **increasing** by \$23 million, or 22.0 percent.
5. Includes **transfers to the general fund** of \$447 million compared to \$1,388 million based on the 2015-17 biennium revised revenue forecast. Major transfers in the executive budget include:
- a. \$30 million in the 2015-17 biennium and \$30 million in the 2017-19 biennium from the strategic investment and improvements fund.
 - b. \$200 million from Bank of North Dakota profits in the 2017-19 biennium, compared to \$100 million (contingent) in the 2015-17 biennium.
 - c. \$22 million from Mill and Elevator profits in the 2017-19 biennium, compared to \$9 million in the 2015-17 biennium.
 - d. \$160 million from legacy fund earnings at the end of the 2017-19 biennium.
 - e. \$18 million from the tobacco settlement trust fund in the 2017-19 biennium.
- Major 2015-17 biennium transfers to the general fund are from the tax relief fund (\$657 million) and the budget stabilization fund (\$572.5 million).
6. Transfers \$300 million from the tax relief fund and \$154 million from the strategic investment and improvements fund to the budget stabilization fund in the 2017-19 biennium.

OIL TAX COLLECTIONS AND ALLOCATIONS

1. Anticipates **oil prices** ranging from \$52 to \$53 in the 2017-19 biennium. The average oil price in November 2016 was \$40.23 per barrel based on the average of the West Texas Intermediate price (\$45.87) and the Flint Hill Resources price (\$34.58).
2. **Oil production** in September 2016 averaged 971,658 barrels per day and is anticipated to decrease to 900,000 barrels per day by the end of the 2015-17 biennium. Oil production is anticipated to remain at 900,000 barrels per day during the 2017-19 biennium.
3. Adjusts the allocation formulas for oil and gas tax revenue collections to remove the allocation to the oil and gas impact grant fund, to decrease the allocations to the North Dakota outdoor heritage fund and the abandoned oil and gas well plugging and site reclamation fund, and to increase the allocation to the general fund.

TAX RELIEF

1. Includes \$275 million for **property tax relief** by transferring the expenses of certain social services programs from counties to the state. The executive budget does not continue the 12 percent state-paid property tax relief credit program, but provides that the county social services property tax relief program includes a hold-harmless provision that no county receives less than an equivalent 12 percent property tax reduction.
2. Decreases funding for the homestead tax credit program from \$20 million to \$16 million and decreases funding for the disabled veterans' tax credit program from \$7.18 million to \$6.9 million.

2017-19 GENERAL FUND APPROPRIATIONS

	2015-17 Adjusted Legislative Appropriations	Increase (Decrease)	2017-19 Executive Budget
Ongoing appropriations	\$4,571,649,696	\$209,013,158	\$4,780,662,854
One-time appropriations	1,115,025,205	(1,115,025,205)	0
Total	\$5,686,674,901	(\$906,012,047)	\$4,780,662,854

1. Includes general fund appropriations of \$4,780.7 million, \$906.0 million less than the 2015-17 adjusted legislative appropriations.
2. Major general fund appropriations increases (decreases) relate to:
 - a. State Treasurer - (\$241.4 million)
 - b. Department of Public Instruction - (\$99.2 million)
 - c. Higher Education - (\$187.9 million)
 - d. Department of Human Services - \$323.9 million
 - e. Industrial Commission - (\$9.9 million)
 - f. Department of Corrections and Rehabilitation - \$8.6 million
 - g. Department of Commerce - (\$20.0 million)
 - h. Parks and Recreation Department - (\$16.3 million)
 - i. Department of Transportation - (\$613.4 million)

2017-19 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of \$8.7 billion, \$404.4 million more than the 2015-17 adjusted legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
 - a. Department of Transportation - (\$1.4 billion)
 - b. State Water Commission - (\$446.0 million)
 - c. Department of Human Services - \$319.2 million
 - d. Department of Trust Lands - (\$110.3 million)
 - e. Department of Public Instruction - (\$106.6 million)

- f. Information Technology Department - \$45.1 million
- g. Higher Education - \$2,000.0 million
- h. Estimated federal funding - (\$12.1 million)

2017-19 BIENNIUM ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS

1. Reflects ongoing general fund revenues, including transfers from the Bank of North Dakota, legacy fund earnings, the Mill and Elevator Association, the tobacco settlement trust fund, the lottery, and the gas tax administration, of \$4,783.4 million and recommends \$4,780.6 million of ongoing general fund appropriations, resulting in an estimated excess of \$2.8 million.
2. Recommends no one-time general fund appropriations from the estimated \$41 million of one-time general fund resources and \$2.8 million of excess ongoing revenues available for the 2017-19 biennium.
3. Retains an estimated \$43.8 million in the general fund at the end of the 2017-19 biennium.

HIGHER EDUCATION

1. Decreases total **general fund** support by \$187.9 million from the 2015-17 adjusted appropriations. Ongoing general fund support is decreased by \$32.0 million, from \$681.9 million to \$649.9 million, while one-time general fund appropriations are reduced by \$156.0 million, from \$156.0 million to \$0.
2. Increases appropriations from **special funds** by \$1,960,393,865, or 3,015.6 percent. The increase relates primarily to the executive budget recognizing total special fund appropriations for higher education institutions. Previously, higher education special funds were only specifically appropriated for certain items, such as capital projects. Other special funds were previously spent pursuant to continuing appropriation.
3. Increases the authorized number of **full-time equivalent (FTE) positions** from 2,430.35 to 6,766.76, an increase of 4,336.41. The increase relates primarily to the executive budget recognizing FTE positions supported by special funds. Previously, the Legislative Assembly only authorized FTE positions supported by the general fund. The number of FTE positions supported by the general fund is reduced by 315.27, from 2,430.35 to 2,115.08 in the executive budget.
4. Reduces by \$23.6 million, funding from the general fund to be distributed to institutions through the **higher education funding formula** for student credit-hour production (\$11.9 million increase), inflationary adjustments (\$7.5 million increase), a base budget reduction (\$14.0 million decrease), an additional 5 percent base budget reduction (\$31.4 million decrease), and an increase to maintain the funding formula hold-harmless clause (\$2.4 million increase).

5. Includes one-time funding of \$3 million from the strategic investment and improvements fund to continue the **higher education challenge fund** to provide matching grants for academic enhancements to North Dakota University System institutions.
6. Includes one-time funding of \$25.4 million from the strategic investment and improvements fund for **major capital projects** at University System institutions.

ELEMENTARY AND SECONDARY EDUCATION

1. Provides \$2,018 million, of which \$1,577 million is from the general fund, \$140 million is from the foundation aid stabilization fund, and \$301 million is from the state tuition fund, for the state school aid program. State school aid program funding changes are summarized in the following schedule:

	2015-17 Adjusted Legislative Appropriations (Amounts Shown in Millions)	Increase (Decrease) (Amounts Shown in Millions)	2017-19 Executive Budget (Amounts Shown in Millions)
State school aid	\$1,916.6	\$30.5	\$1,947.1
Transportation aid payments	57.0	(5.7)	51.3
Rapid enrollment grants	12.5	(12.5)	0
Special education - Contracts	17.3	2.0	19.3
Total	\$2,003.4	\$14.3	\$2,017.7
General fund	\$1,668.3	(\$91.9)	\$1,576.4
Foundation aid stabilization fund	116.0	24.0	140.0
State tuition fund	219.1	82.2	301.3
Total	\$2,003.4	\$14.3	\$2,017.7

2. Provides integrated formula payments totaling \$1,947 million, an increase of \$30.5 million from the integrated formula payments provided during the 2015-17 biennium. When compared to the adjusted appropriation for the 2015-17 biennium, the increase of \$30.5 million includes a decrease in funding from the general fund of \$75.7 million and increases in funding from the state tuition fund of \$82.2 million and from the foundation aid stabilization fund of \$24.0 million.
3. Increases integrated per student payment rates by 1 percent in the second year of the 2017-19 biennium. The current rate of \$9,646 will remain during the first year of the biennium and will increase to \$9,742 during the second year of the 2017-19 biennium.
4. Includes, as one-time funding, \$140 million from the foundation aid stabilization fund for state school aid. Amendments to the Constitution of North Dakota approved by voters in November 2016 require the balance in the foundation aid stabilization fund be at least 15 percent of the general

fund appropriation for state aid to school districts for the most recently completed biennium. Any excess balance in the fund is available for education-related purposes.

5. Removes \$2.7 million provided from the general fund during the 2015-17 biennium for a teacher, principal, and instructional coach mentoring program.
6. Removes \$1.0 million provided from the general fund during the 2015-17 biennium for grants to the four school districts that serve the largest number of first and second level English language learners in K-12. However, increases to those English language learner weighting factors, approved by the 2015 Legislative Assembly, become effective July 1, 2017.
7. Removes \$163,611 provided from the general fund during the 2015-17 biennium for the Medicaid matching requirements of school districts related to increased medical assistance payment rates for physical, occupational, and speech therapy services. The increased medical assistance payment rates were not implemented during the 2015-17 biennium; however, the executive recommendation for the 2017-19 biennium includes medical assistance payment rate increases.

HUMAN SERVICES

1. Provides a total general fund appropriation of \$1,604.9 million, \$326.7 million, or 25.6 percent, more than the \$1,278.2 million appropriated for the 2015-17 biennium.
2. Adds \$17.1 million from the general fund for additional state matching funds required due to changes in the state's **federal medical assistance percentage** (FMAP). North Dakota's FMAP is anticipated to remain at 50 percent for federal fiscal years 2018 and 2019. The federal matching for Medicaid Expansion is 95 percent beginning January 2017, and 94 percent beginning January 2018, and 93 percent beginning January 2019.
3. Provides \$12.2 million, of which \$3.5 million is from the general fund, for a **1 percent inflationary increase** to human service providers in the second year of the biennium.
4. Adds \$130.4 million from the general fund for costs to continue and **cost, caseload, and utilization changes** in department programs compared to adjusted 2015-17 appropriations.
5. Transfers \$275 million from the general fund to a newly **created social services property tax fund** for the state to take over expenses of certain county social services programs which will result in reduced property tax levies.
6. Imposes a 5 percent provider assessment on nursing facilities, with the \$42.7 million of estimated revenue from the assessment being used for long-term care programs.
7. Provides \$3 million of special funds for a **child care licensing system**.

CAPITAL CONSTRUCTION

- Includes a total of \$1,123,492,041 for capital projects as reflected on the following schedule:

	General Fund	Special Funds	Total Funds
Major capital projects - See the major new capital construction schedule on page H-2	\$0	\$234,175,500	\$234,175,500
Extraordinary repairs - See the extraordinary repairs schedule on page H-3	0	23,738,062	23,738,062
Department of Transportation - Bond payments	0	900,000	900,000
Department of Transportation - Contractor payments	0	724,530,007	724,530,007
Water projects	0	124,698,442	124,698,442 ¹
Institutions of higher education special assessments	88,074	461,404	549,478
State agency special assessments	174,046	30,000	204,046
Payments in lieu of taxes	50,000	1,363,000	1,413,000 ²
Game and Fish Department land acquisitions	0	800,000	800,000
Other bond payments	11,655,818	827,688	12,483,506
Total	\$11,967,938	\$1,111,524,103	\$1,123,492,041

¹This amount includes funding for construction costs of the Southwest Pipeline Project and the Northwest Area Water Supply Project.

²This amount includes payments in lieu of taxes of approximately \$1,363,000 for the Game and Fish Department from special funds and \$50,000 for the Adjutant General from the general fund. This amount does not include payments in lieu of taxes of approximately \$408,000 estimated to be paid by Workforce Safety and Insurance in the 2017-19 biennium under the agency's continuing appropriation for building maintenance.

- The executive budget does not recommend any major capital construction projects to be financed by bonding which would need to be repaid from the general fund.

STATE EMPLOYEES

- Provides \$11.9 million, of which \$5.4 million is from the general fund, for **salary increases** for state employees of 1 percent of salaries effective July 1, 2018.
- Continues funding for the cost of **health insurance** premiums for state employees. The executive budget provides \$1,249.47 per month for state employee health insurance premiums, an increase of \$119.25, or 10.6 percent, compared to the 2015-17 premium of \$1,130.22 per month. Funding of \$45.6 million, of which \$21 million is from the general fund, is added for the health insurance premium increase.

- Includes a total of 15,937.69 FTE positions, 4,100.12 FTE positions more than the 2015-17 authorized level of 11,837.57. The total number of FTE positions for the 2017-19 biennium now recognizes certain higher education positions that were previously not included in the budget.
- The 2017-19 executive budget recommended FTE level of 15,937.69 is an overall decrease of 551.56 FTE positions compared to the adjusted 2015-17 biennium total, including a decrease of 315.27 FTE positions in higher education and a decrease of 236.29 FTE positions in all other state agencies.

CORRECTIONS

- Provides a total general fund appropriation for the Department of Corrections and Rehabilitation of \$215.8 million, \$11.3 million, or 5.5 percent, more than the \$204.5 million adjusted appropriation for the 2015-17 biennium.
- Includes \$1.26 million for 10.0 **new FTE positions** at the Youth Correctional Center to ensure compliance with staffing ratios required by the federal Prison Rape Elimination Act.
- Restores \$4.7 million of base funding from the general fund removed by the allotments to continue **contracted treatment, transition programming, and inmate housing**.
- Provides \$935,907 of one-time funding from the strategic investment and improvements fund for an **electronic medical records system**.

INFORMATION TECHNOLOGY

- Recommends \$92.8 million, of which \$53.7 million is from federal funds and \$39.1 million is from special funds, for state agency **large information technology projects** for the 2017-19 biennium.
- Provides one-time funding of \$43.5 million from special funds to the Information Technology Department for a **North Dakota Health Information Network expansion** project. Of this total, the Department of Human Services will provide \$40.8 million in federal funds for the project.
- Provides one-time funding of \$9.5 million, of which \$660,000 is from the general fund, to the Information Technology Department for **information technology equipment costs**.
- Provides one-time funding of \$40.8 million from federal funds to the Department of Human Services for a **health information technology/care coordination project** and \$3 million from special funds for a **child care licensing system**.
- Provides one-time funding of \$11.2 million from federal funds to Job Service North Dakota for an **unemployment insurance modernization project**.
- Provides one-time funding from special funds to Workforce Safety and Insurance for a claims and policy system project (\$8.1 million), an extranet enhancement project (\$538,500) and an Oracle Reports enhancement project (\$275,000).

7. Provides one-time funding from special funds of \$5.5 million to the Department of Trust Lands for an information technology system replacement.

ECONOMIC DEVELOPMENT

1. Provides \$2.4 million from the general fund for the North Dakota **Trade Office**, a decrease of \$261,340 from the 2015-17 biennium amount of \$2.6 million.
2. Recommends one-time funding of \$3.0 million from the strategic investment and improvements fund, including \$2.0 million for **unmanned aerial system grants** and \$1.0 million for **base retention grants**.
3. Provides \$3.1 million from special funds for the **Agricultural Products Utilization Commission** compared to appropriations of \$1 million from the general fund and \$2.1 million from special funds provided for the program for the 2015-17 biennium.
4. Recommends funding of \$7.6 million for **North Dakota tourism**, a decrease of \$3.5 million from the 2015-17 biennium amount of \$10.1 million.
5. Provides \$1.9 million for the Agriculture Commissioner **marketing and information** program, a decrease of \$683,369 from the 2015-17 biennium amount of \$2.6 million.
6. Provides \$502,909 for the Job Service North Dakota **Workforce 20/20** program, a decrease of \$1 million from the 2015-17 biennium amount of \$1.5 million.

TRANSPORTATION

7. Anticipates **federal highway construction funds** of \$615.1 million for the 2017-19 biennium compared to \$545.3 million for the 2015-17 biennium.
8. Anticipates funding for **federal emergency relief projects** of \$9.7 million for the 2017-19 biennium compared to \$42.4 million for the 2015-17 biennium.
9. Removes 26.5 **FTE positions** and related funding of \$4,085,282.

MAJOR TRANSFERS AND REVENUE ALLOCATION CHANGES

1. Provides for a transfer of \$30 million from the **strategic investment and improvements fund** to the general fund during the **2015-17 biennium**.
2. Provides for a transfer of \$30 million from the **strategic investment and improvements fund** to the general fund during the **2017-19 biennium**.
3. Provides for a transfer of \$200 million from the profits of the **Bank of North Dakota** to the general fund.
4. Increases the transfer of **Mill and Elevator Association profits** to the general fund from 50 percent to 90 percent of annual earnings and profits

of the mill which would result in an estimated transfer of \$22.3 million during the 2017-19 biennium.

5. Provides for 45 percent of **tobacco settlement proceeds** (\$18 million) to be deposited in the general fund rather than the common schools trust fund.
6. Anticipates 2017-19 biennium **legacy fund** earnings of \$160 million to be transferred to the general fund and appropriated for ongoing expenses.
7. Increases the amount of the state share of oil and gas tax deposits in the general fund from \$300 million to \$1 billion per biennium.
8. Eliminates the deposit of a portion of the state share of oil and gas tax collections (\$300 million) in the tax relief fund.
9. Eliminates the deposit of oil and gas gross production tax collections in the oil and gas impact grant fund. (Under current law, up to \$100 million would have been deposited in the fund during the 2017-19 biennium.)
10. Decreases the maximum amount of oil and gas production tax collections deposited in the North Dakota outdoor heritage fund from \$40 million per biennium to \$10 million per biennium.
11. Decreases the maximum amount of oil and gas production tax collections deposited in the abandoned oil and gas well plugging and site reclamation fund from \$7.5 million per year (\$15 million per biennium) to \$5 million per year (\$10 million per biennium).
12. Provides that any remaining portion of the state's share of oil and gas tax collections, after distributions to all other funds, be allocated 75 percent to the strategic investment and improvements fund and 25 percent to the lignite research fund. The maximum biennial allocation to the lignite research fund is limited to \$3 million.
13. Utilizes \$140 million from the foundation aid stabilization fund for **state school aid payments** during the 2017-19 biennium.
14. Provides for a transfer of \$300 million from the **tax relief fund** to the budget stabilization fund.
15. Provides for a transfer of \$154.2 million from the strategic investment and improvements fund to the budget stabilization fund.
16. Eliminates the Tobacco Prevention and Control Executive Committee and appropriates \$23.5 million from the tobacco prevention and control trust fund to the State Department of Health and Department of Human Services for various programs.
17. Transfers \$275 million from the general fund to the county social services property tax relief fund to be used for the state to pay certain expenses of social services programs currently funded from property tax levies.
18. Deposits a portion of Securities Department licensing and other fee revenue in the Securities Department operating fund rather than the general fund and changes the primary funding source of the department from the general fund to the Securities Department operating fund.

ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS AS IDENTIFIED AND RECOMMENDED IN THE 2017-19 EXECUTIVE BUDGET

Ongoing General Fund Resources and Appropriations

Recommended ongoing general fund revenues	\$4,366,130,164
Less recommended ongoing appropriations	(4,780,662,854) ¹
Excess (shortfall)	(\$414,532,690)
Add transfers to the general fund identified in the executive budget recommendation as ongoing	417,296,044 ²
Excess ongoing general fund resources	\$2,763,354
¹ The executive budget recommendation does not include any one-time general fund appropriations.	
² This amount includes transfers identified as ongoing in the executive budget from:	
Bank of North Dakota	\$200,000,000
Legacy fund earnings	160,000,000
Mill and Elevator Association	22,279,924
Tobacco settlement trust fund	18,000,000
Lottery	15,000,000
Gas tax administration	<u>2,016,120</u>
Total	\$417,296,044

Identified One-Time General Fund Resources and Related Appropriations

Estimated general fund beginning balance and transfers to the general fund identified as one-time in the executive budget	\$40,980,773 ¹
Less recommended one-time general fund appropriations	0 ²
Excess (shortfall)	\$40,980,773
Add excess ongoing general fund resources	2,763,354
Excess	\$43,744,127
¹ This amount includes:	
Estimated beginning general fund balance	\$10,980,773
Transfer from the strategic investment and improvements fund	<u>30,000,000</u>
Total	\$40,980,773
² The executive budget recommendation does not include any one-time general fund appropriations.	

EXECUTIVE BUDGET RECOMMENDATIONS REQUIRING STATUTORY CHANGES OR OTHER LEGISLATIVE ACTION

In addition to general agency budget recommendations, elected officials' salary increases, and any capital construction bonding proposals, the following recommendations included in the executive budget require statutory changes or other action by the Legislative Assembly in 2017 to implement:

TRANSFERS TO THE GENERAL FUND

- Provides for a transfer of \$30 million from the **strategic investment and improvements fund to the general fund** during the **2015-17 biennium** (Section 6 of House Bill No. 1075).
- Provides for a transfer of \$30 million from the **strategic investment and improvements fund** to the general fund during the **2017-19 biennium** (Section 7 of House Bill No. 1075).
- Provides for a transfer of \$200 million from the profits of the **Bank of North Dakota** to the general fund (Section 7 of Senate Bill No. 2074).

TRANSFERS TO THE BUDGET STABILIZATION FUND

- Provides for a transfer of \$154.2 million from the **strategic investment and improvements fund** to the budget stabilization fund (Section 3 of House Bill No. 1075).
- Provides for a transfer of \$300 million from the **tax relief fund** to the budget stabilization fund (Section 4 of House Bill No. 1075).

OIL TAX REVENUES

- **Deposits in the general fund** - Amends North Dakota Century Code Section 57-51.1-07.5 to increase the amount of the state share of oil and gas tax deposits in the general fund from \$300 million to \$1 billion (Section 14 of House Bill No. 1075).
- **Tax relief fund** - Amends Section 57-51.1-07.5 to eliminate the deposit of a portion of the state share of oil and gas tax collections in the tax relief fund (Section 14 of House Bill No. 1075).
- **Lignite research fund** - Amends Section 57-51.1-07.5 to provide for the deposit of a portion of the state share of oil and gas tax collections in the lignite research fund (Section 14 of House Bill No. 1075).
- **Oil and gas impact grants** - Amends Section 57-51-15 to eliminate the deposit of oil and gas gross production tax collections into the oil and gas impact grant fund (Section 13 of House Bill No. 1075).
- **North Dakota outdoor heritage fund** - Amends Section 57-51-15 to decrease the maximum amount of oil and gas production tax collections

deposited in the North Dakota outdoor heritage fund from \$20 million per year (\$40 million per biennium) to \$10 million per biennium (Section 13 of House Bill No. 1075).

- **Abandoned oil and gas well plugging and site reclamation fund** - Amends Section 57-51-15 to decrease the maximum amount of oil and gas production tax collections deposited in the abandoned oil and gas well plugging and site reclamation fund from \$7.5 million per year (\$15 million per biennium) to \$5 million per year (\$10 million per biennium) (Section 13 of House Bill No. 1075).

TAX RELIEF

- **County social service property tax relief program** - Provides for property tax relief by transferring the expenses of certain social services programs from counties to the state and removes the authority of counties to levy property taxes for these programs (The bill containing the proposed changes is pending introduction).
- **Transfer to social services property tax relief fund** - Transfers \$275 million from the general fund to the social services property tax relief fund (Section 5 of House Bill No. 1075).

ELEMENTARY AND SECONDARY EDUCATION

- **Per student payment rate** - Increases the integrated formula payment rate by 1 percent effective July 1, 2018. (The bill containing this change is pending introduction.)
- **School for the Blind fund** - Creates a new section to Chapter 25-06 to establish a School for the Blind operating fund (Section 4 of House Bill No. 1063).
- **School for the Deaf fund** - Creates a new section to Chapter 25-07 to establish a School for the Deaf operating fund (Section 5 of House Bill No. 1063).
- **Foundation aid stabilization fund transfer** - Transfers \$140 million from the foundation aid stabilization fund to the Department of Public Instruction operating fund for state school aid payments during the 2017-19 biennium (Section 18 of House Bill No. 1063).
- **School construction loan fund** - Transfers \$6 million of Bank of North Dakota profits to the school construction loan fund (Section 14 of Senate Bill No. 2074).

HIGHER EDUCATION

- **Funding formula rate** - Amends Section 15-18.2-05 to adjust the student credit-hour funding rates for the higher education funding formula (Section 4 of Senate Bill No. 2063).
- **Funding formula hold harmless clause** - Amends Section 15-18.2-06 to continue the hold harmless provision of the higher education funding formula through June 30, 2019 (Section 5 of Senate Bill No. 2063).
- **Carryover authority** - Amends Section 54-44.1-11 to extend through July 31, 2019, the North Dakota University System's authority to continue unexpended appropriations (Section 6 of Senate Bill No. 2063).
- **Continuing appropriation authority for special funds** - Extends the continuing appropriation authority for special funds received by institutions, including tuition revenue, through the 2017-19 biennium (Section 10 of Senate Bill No. 2063).
- **Tuition rate increase limit** - Limits tuition rate increases to 2.5 percent per year during the 2017-19 biennium at University System institutions. (A bill is not being introduced to implement this recommendation.)
- **Higher education challenge grant program** - Continue the higher education challenge grant program into the 2017-19 biennium. (A bill is not being introduced to implement this recommendation.)

INDUSTRIAL COMMISSION

- **Economic development programs** - Transfers \$25 million of Bank of North Dakota profits for economic development programs, including the partnership in assisting community expansion (PACE) (\$16 million), Ag PACE (\$2 million), Biofuels PACE (\$1 million), and the beginning farmer revolving loan fund (\$6 million) (Sections 10, 11, 12, and 13 of Senate Bill No. 2074).
- **Infrastructure revolving loan fund uses** - Amends Section 6-09-49 to expand the uses of the infrastructure revolving loan fund (Section 18 of Senate Bill No. 2074).
- **Housing incentive fund** - Amends Section 54-17-40 to continue the housing incentive fund through June 30, 2019, and removes legislative reporting requirements (Section 19 of Senate Bill No. 2074).
- **Transfer from Mill and Elevator Association** - Increases the transfer of Mill and Elevator Association profits to the general fund from 50 percent to 90 percent (Section 20 of Senate Bill No. 2074).
- **Coal development fund** - Amends Section 57-62-02 to reduce the allocation from the coal development fund to the coal development trust fund from 30 to 15 percent. The section provides that 15 percent of coal development fund allocations be deposited in the lignite research fund (Section 21 of Senate Bill No. 2074).

HUMAN SERVICES

- **Medicaid Expansion** - Amends Section 50-24.1-37 to remove the sunset clause on implementing the Medicaid Expansion program and changes the program to a fee for service arrangement instead of managed care (Sections 13 and 14 of House Bill No. 1072).
- **Health care trust fund** - Amends Section 50-30-02 to allow the executive budget to recommend the appropriation of funds from the health care trust fund (Section 15 of House Bill No. 1072).
- **Provider assessment for nursing facilities** - Creates a new chapter to Title 57 to impose a provider assessment on nursing facilities (House Bill No. 1130).

TOBACCO PREVENTION AND CONTROL EXECUTIVE COMMITTEE AND ALLOCATIONS FROM TOBACCO SETTLEMENT FUNDS

- **Tobacco Prevention and Control Executive Committee** - Repeals Chapter 23-42 and amends various other sections to eliminate the Tobacco Prevention and Control Executive Committee (Sections 2, 3, 4, and 5 of Senate Bill No. 2084).
- **Tobacco settlement proceeds** - Provides for 45 percent of tobacco settlement proceeds to be deposited in the general fund rather than the common schools trust fund (Section 12 of House Bill No. 1075).

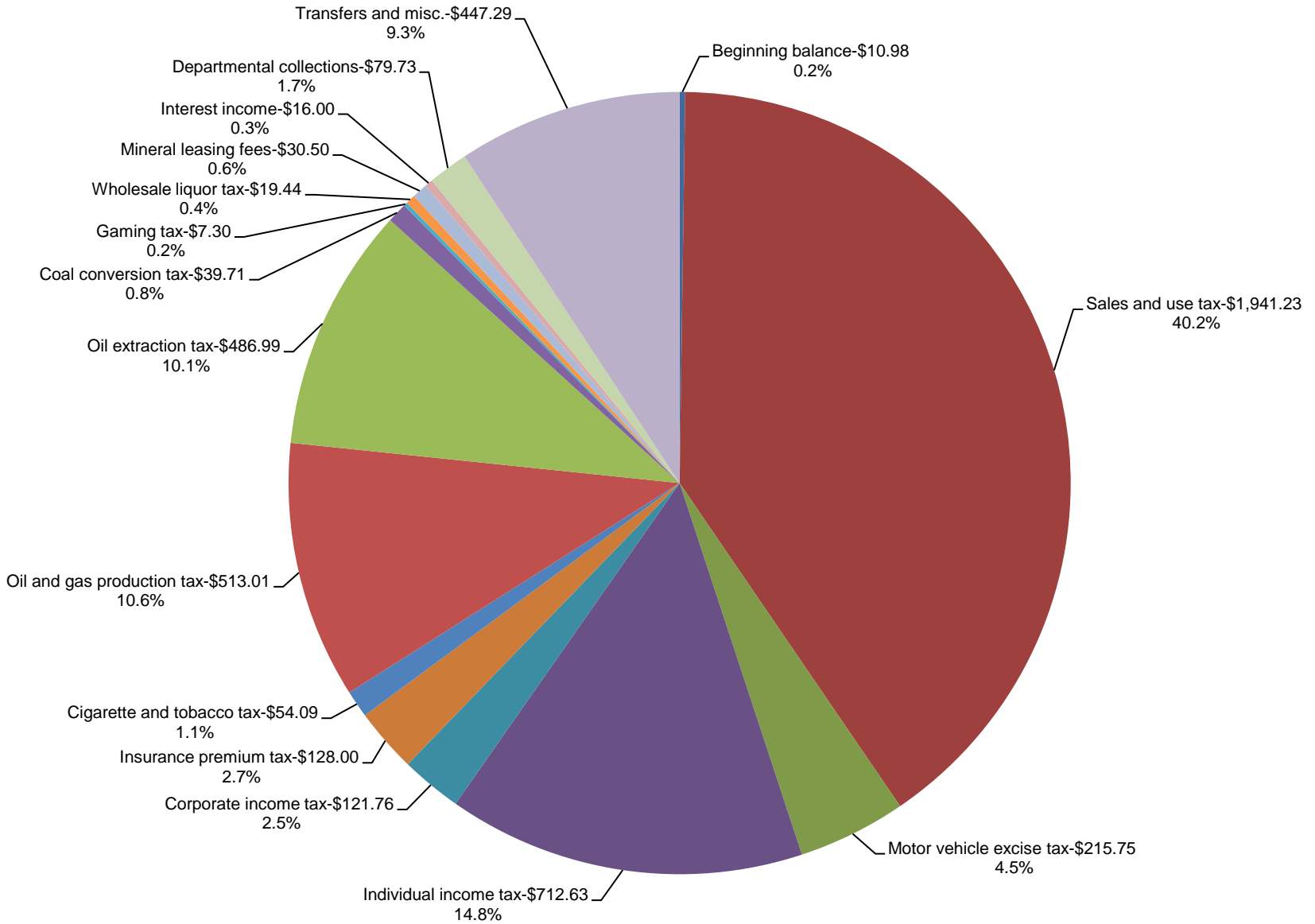
OTHER

- **Securities Department funding source change** - Provides for the deposit of Securities Department fees, civil penalties, and other collections in the Securities Department special fund rather than the general fund. Appropriations for the operations of the Securities Department are changed from the general fund to the Securities Department operating fund (Section 2 of House Bill No. 1071).
- **Elected official's salary increases** - Provides for 1 percent salary increases on July 1, 2018, for state elected officials and district court judges. (The statutory changes for each elected official's salary are included in the appropriation bills recommend by the Governor for the agency of the respective official.)
- **Secretary of State general services operating fund** - Amends Section 54-09-08 to remove the requirement that any balance in the fund at the end of a biennium in excess of \$75,000 be transferred to the general fund (Section 4 of House Bill No. 1062).
- **Attorney General refund fund** - Allows the Attorney General to retain funds in the Attorney General refund fund that would otherwise be transferred to the general fund on June 30, 2017 (Section 5 of House Bill No. 1063).

- **Allocation of coal development fund money** - Amends Section 57-62-02 to remove the allocation of a portion of the funds in the coal development fund to political subdivisions (Section 4 of House Bill No. 1065).
- **Multistate tax audit fund** - Creates a new section to Chapter 57-01 to establish a multistate tax audit fund and provides that any funds received by the Tax Commissioner as the result of participating in a Multistate Tax Commission audit be deposited in the fund (Section 5 of House Bill No. 1066).
- **Allocation of special fuels excise taxes** - Amends Section 57-43.2-19 to increase the amount of special fuels excise taxes deposited in the rail safety fund from \$75,000 to \$85,000 per year (Section 5 of House Bill No. 1068).
- **Federal environmental law impact review fund** - Transfers \$1 million from the strategic investment and improvements fund to the environmental law impact review fund (Section 9 of House Bill No. 1069).
- **Parks and Recreation Department concession revolving fund** - Amends Section 55-08-07.1 to remove the \$50,000 maximum balance limit of the fund (Section 4 of House Bill No. 1079).
- **Infrastructure revolving loan fund** - Amends Section 61-02-78 to suspend deposits in the infrastructure revolving loan fund if the balance of the fund reaches \$10 million. Funds may again be deposited in the infrastructure revolving loan fund when the fund balance drops below \$7 million (Section 4 of House Bill No. 1080).
- **Allocation of coal conversion tax revenue** - Amends Section 57-60-14 to continue reallocating 5 percent of the general fund share of coal conversion tax revenue collections to the lignite research fund (Senate Bill No. 2031).
- **Uses of state highway fund** - Amends Section 24-02-37 to allow the Department of Transportation to repay the United States Department of Transportation for previous related expenditures out of current biennium appropriations so the department may reobligate federal aid for other projects (Section 7 of Senate Bill No. 2072).
- **Education Technology Council** - Amends Section 54-59-18 to provide for the Education Technology Council to hire a Director of EduTech rather than appoint a technology director (Section 4 of Senate Bill No. 2081).

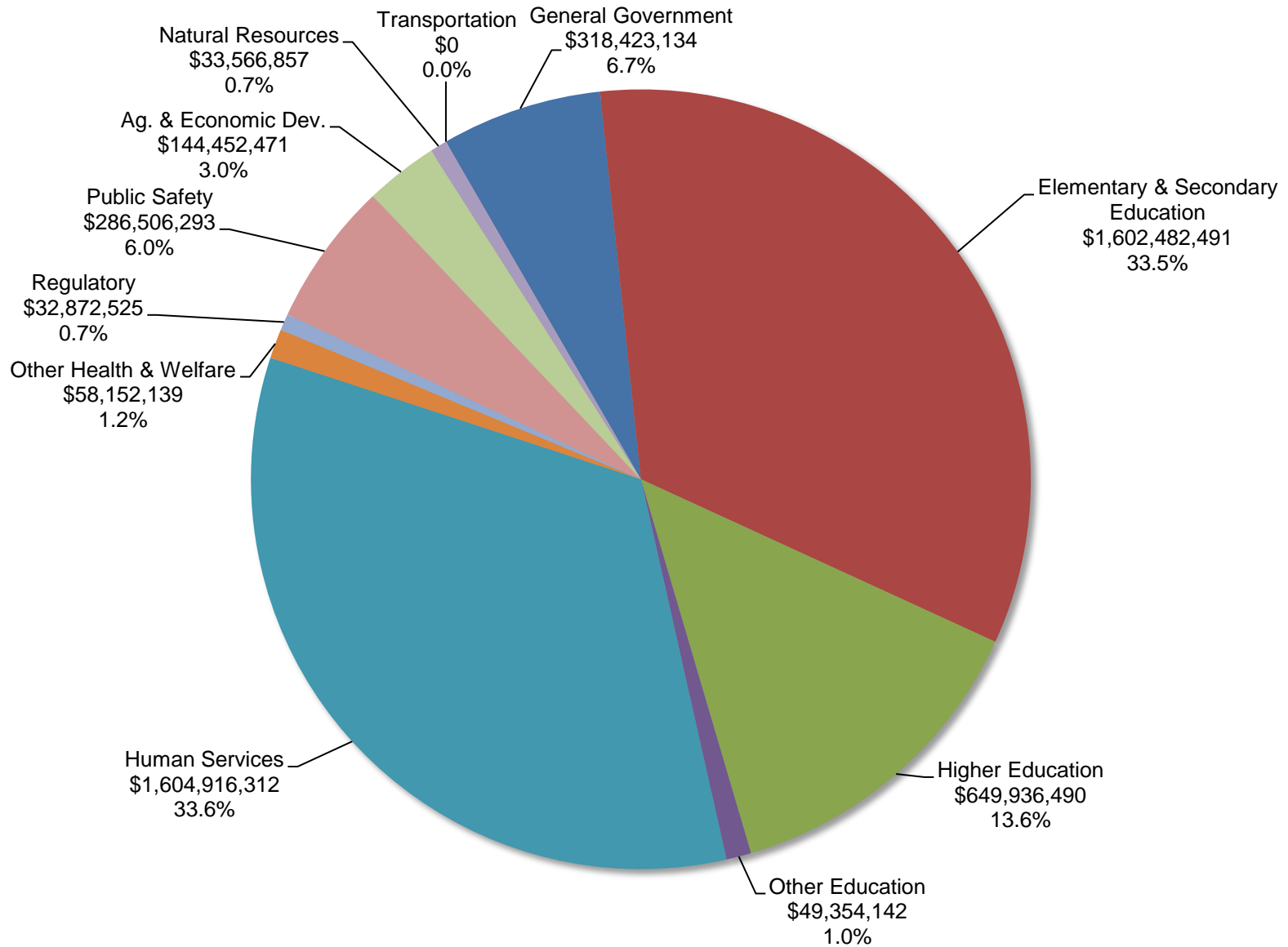
2017-19 ESTIMATED GENERAL FUND REVENUES

Total 2017-19 Estimated General Fund Revenues - \$4,824,406,981
(Amounts Shown in Millions)



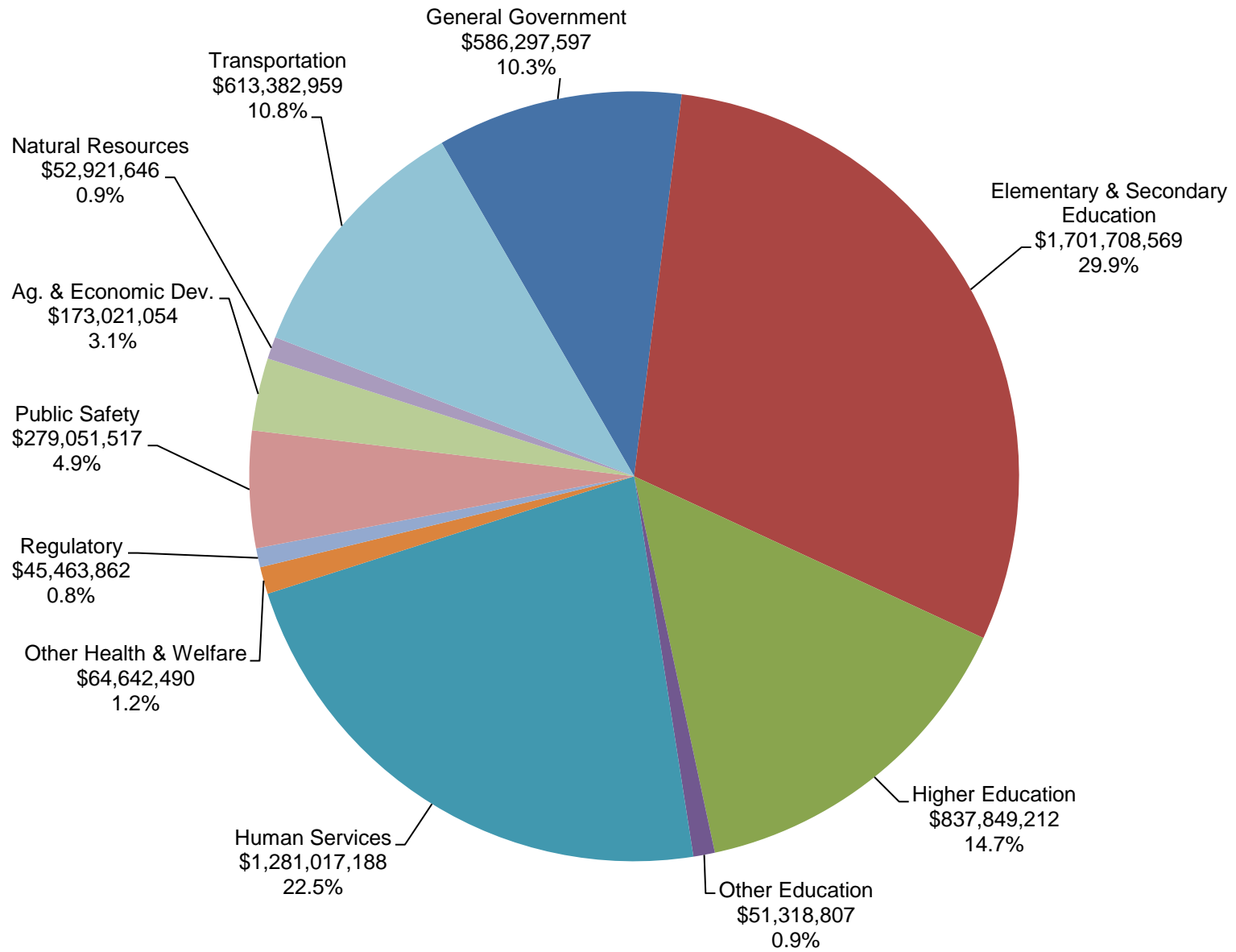
2017-19 BIENNIUM RECOMMENDED GENERAL FUND APPROPRIATIONS

Total 2017-19 Biennium Recommended General Fund Appropriations - \$4,780,662,854



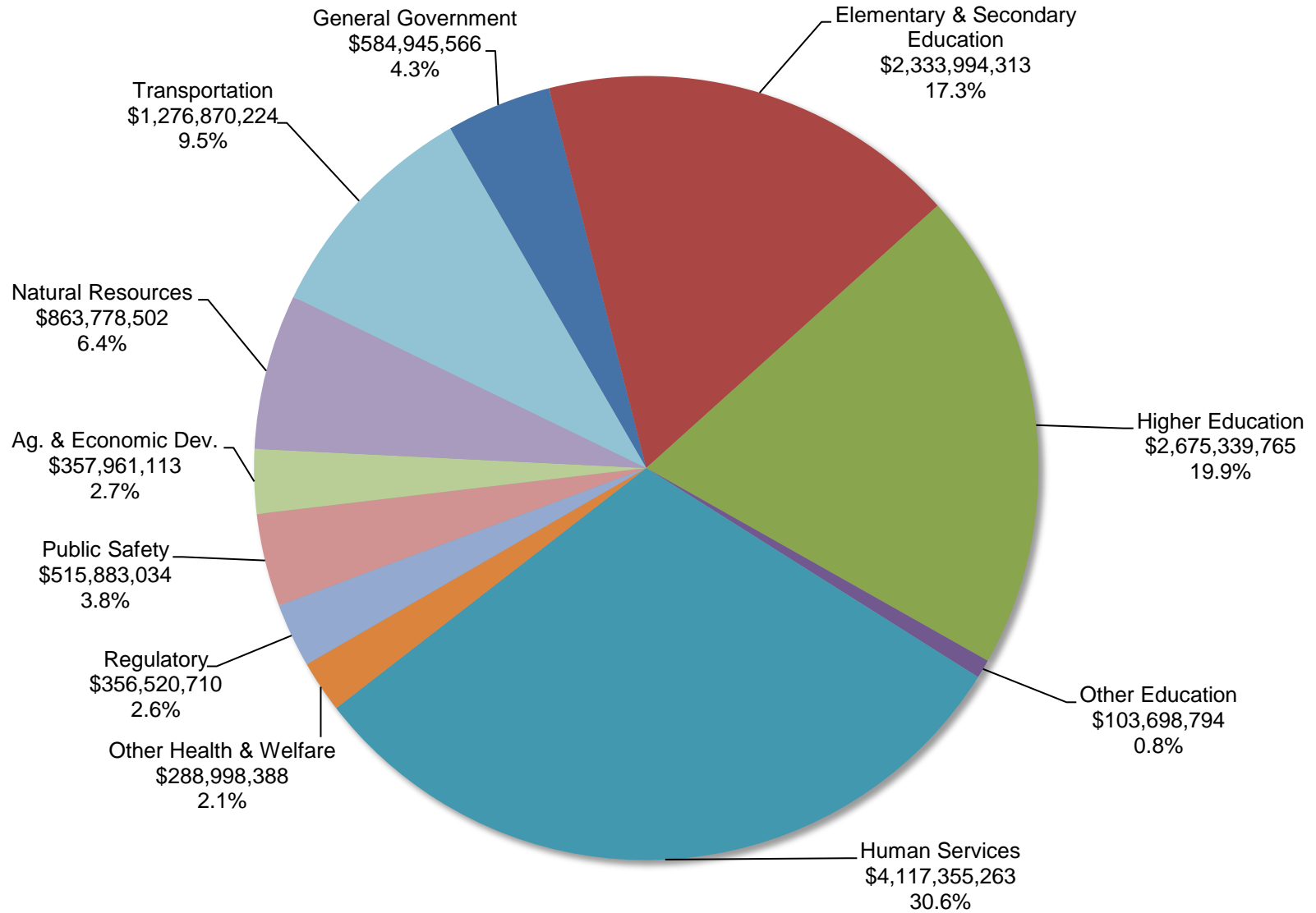
2015-17 BIENNIUM ADJUSTED GENERAL FUND APPROPRIATIONS

Total 2015-17 Biennium Adjusted General Fund Appropriations - \$5,686,674,901



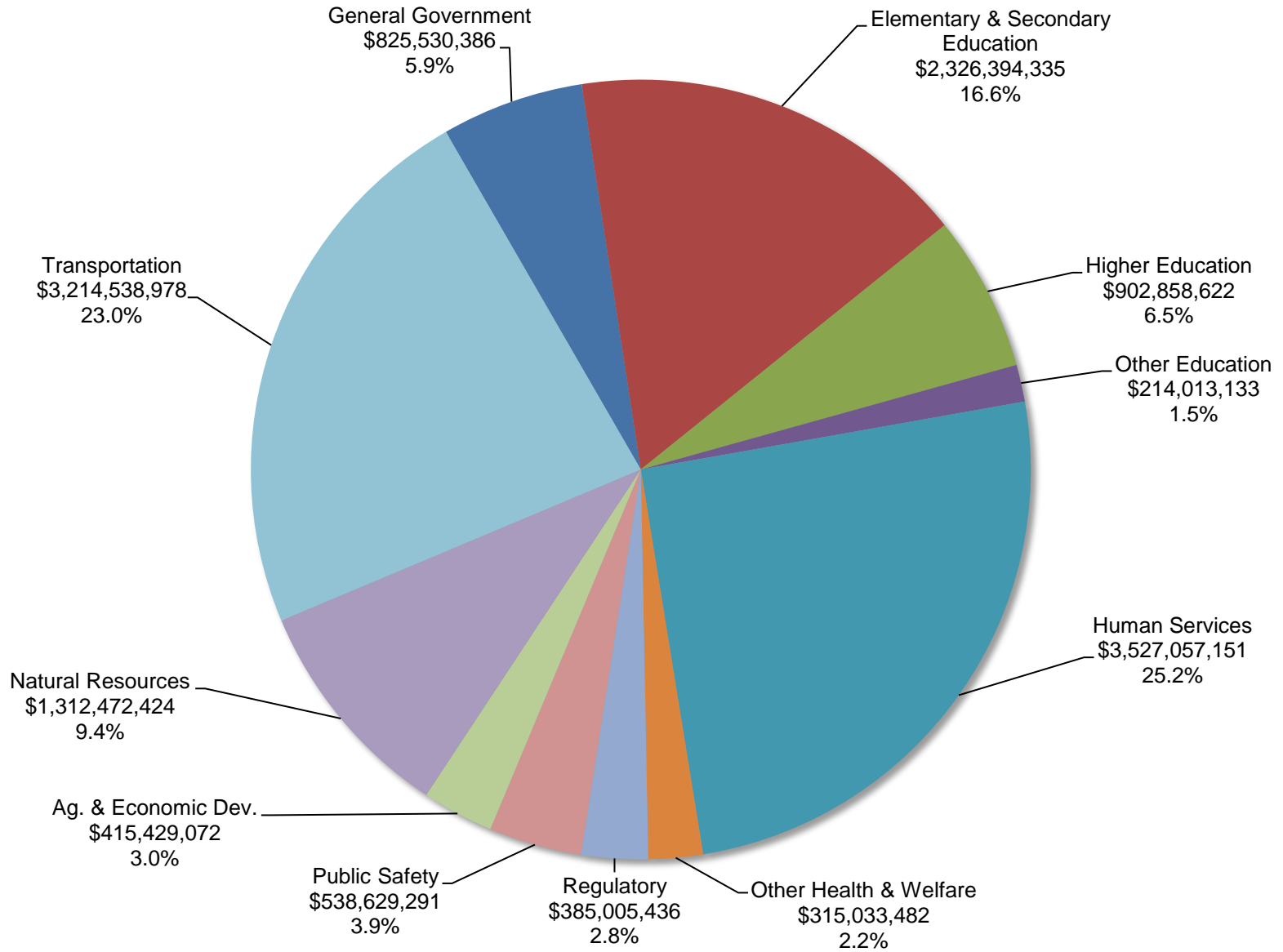
2017-19 BIENNIUM RECOMMENDED ALL FUNDS APPROPRIATIONS

Total 2017-19 Biennium Recommended All Funds Appropriations - \$13,475,345,672



2015-17 BIENNIUM ADJUSTED ALL FUNDS APPROPRIATIONS

Total 2015-17 Biennium Adjusted All Funds Appropriations - \$13,976,962,310



HISTORIC GENERAL FUND APPROPRIATIONS AND END-OF-BIENNIUM BALANCES

Biennium	General Fund Appropriations (Amounts Shown in Millions) ¹	End-of-Biennium General Fund Balance (Amounts Shown in Millions)	General Fund Balance as a Percentage of Appropriations
1971-73	\$226.26	\$52.50 ²	23.2%
1973-75	\$297.82	\$150.50 ³	50.5%
1975-77	\$442.53	\$208.30 ³	47.1%
1977-79	\$575.07	\$151.00 ³	26.3%
1979-81	\$680.42	\$174.50 ³	25.6%
1981-83	\$910.25	\$43.40 ³	4.8%
1983-85	\$1,017.86	\$150.41 ³	14.8%
1985-87	\$1,134.18	\$18.66 ³	1.6%
1987-89	\$1,058.71	\$40.00 ^{3,4}	3.8%
1989-91	\$1,061.51	\$105.67 ³	10.0%
1991-93	\$1,202.89	\$19.76 ³	1.6%
1993-95	\$1,251.93	\$31.15 ³	2.5%
1995-97	\$1,352.47	\$65.00 ^{3,5}	4.8%
1997-99	\$1,510.75	\$61.11 ³	4.0%
1999-2001	\$1,614.88	\$62.24 ³	3.9%
2001-03	\$1,727.97 ⁶	\$14.79 ^{3,7}	0.9%
2003-05	\$1,816.89	\$68.02 ^{3,8}	3.7%
2005-07	\$2,000.54	\$295.54 ^{3,9}	14.8%
2007-09	\$2,579.31	\$361.84 ^{3,10}	14.0%
2009-11	\$3,296.59	\$996.83 ^{3,11}	30.2%
2011-13	\$4,297.00 ¹²	\$1,651.44 ^{3,13}	38.4%
2013-15	\$6,879.67	\$739.39 ¹⁴	10.8%
2015-17	\$5,686.67 ¹⁵	\$10.98 (estimate) ¹⁶	0.2%
2017-19 Recommended	\$4,780.66 ¹⁷	\$43.74 (estimate)	0.9%

¹Appropriation amounts are restated to reflect, where appropriate, deficiency appropriations provided by a subsequent Legislative Assembly and general fund allotments and reductions.

²The amount shown reflects the actual cash balance in the general fund on June 30 at the end of the biennium.

³The amount shown is the unobligated balance, which is the June 30 cash balance reduced by June obligations not paid until after the end of the biennium.

⁴In addition to the amount shown, \$25.2 million was transferred to the budget stabilization fund, pursuant to North Dakota Century Code Section 54-27.2-02, which provides any amount in excess of \$40 million in the general fund on June 30, 1989, be transferred to the budget stabilization fund.

⁵In addition to the amount shown, \$17.1 million was transferred to the budget stabilization fund, pursuant to Section 54-27.2-02, which provides any amount in excess of \$65 million in the general fund on June 30, 1997, be transferred to the budget stabilization fund. Subsequently, on July 1, 1997, that amount was transferred to the budget stabilization fund.

⁶The amount shown reflects original legislative appropriations of \$1,746.98 million increased by \$3.47 million used to match federal Medicaid funding for intergovernmental transfer payments and decreased by \$18.17 million relating to the July 2002, 1.05 percent budget allotment and \$4.32 million for emergency clauses and other miscellaneous adjustments.

⁷The amount shown is after a transfer of \$18,699,787 from the Bank of North Dakota, pursuant to Section 12 of 2001 House Bill No. 1015.

⁸In addition to the amount shown, \$99.5 million was transferred to the budget stabilization fund, pursuant to Section 54-27.2-02, which provides any amount in the general fund at the end of a biennium in excess of \$65 million be transferred to the budget stabilization fund. Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 5 percent of the current biennial general fund appropriations.

⁹In addition to the amount shown, \$100.5 million was transferred to the budget stabilization fund. Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 5 percent of the current biennial general fund appropriations. House Bill No. 1429 (2007) changed the 5 percent maximum balance provision and allowed a \$200 million balance during the 2007-09 biennium and a maximum balance of 10 percent of appropriations beginning July 1, 2009.

¹⁰In addition to the amount shown, \$124.9 million was transferred to the budget stabilization fund. Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 10 percent of the biennial general fund appropriations as approved by the most recently adjourned Legislative Assembly.

¹¹In addition to the amount shown, \$61.41 million was transferred to the budget stabilization fund. Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 9.5 percent of the biennial general fund appropriations as approved by the most recently adjourned Legislative Assembly.

¹²This amount reflects original 2011-13 general fund appropriations of \$4,066.85 million plus \$169.83 million of general fund appropriations approved by the Legislative Assembly during the November 2011 special legislative session plus \$60.31 million for the deficiency appropriations for the 2011-13 biennium.

¹³In addition to the amount shown, \$181.06 million was transferred to the budget stabilization fund. Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 9.5 percent of the biennial general fund appropriations as approved by the most recently adjourned Legislative Assembly.

¹⁴Pursuant to Section 54-27.2-01, the budget stabilization fund is limited to no more than 9.5 percent of the biennial general fund appropriations as approved by the most recently adjourned Legislative Assembly. Based on the original 2015-17 biennium general fund appropriations of \$6,046,162,678, there was no transfer to the budget stabilization fund at the end of the 2013-15 biennium.

¹⁵This amount reflects the 2015-17 original appropriations of \$6,046.16 million less \$359.49 million of general fund appropriations reduced by the Legislative Assembly during the August 2016 special legislative session.

¹⁶This amount reflects certain transfers to the general fund approved by the Legislative Assembly during the August 2016 special legislative session, including a \$572.5 million transfer from the budget stabilization fund and a contingent transfer of \$100 million from the Bank of North Dakota and a \$30 million transfer from the strategic investment and improvements fund recommended in the 2017-19 executive budget.

¹⁷The amount shown reflects recommended general fund appropriations for the 2017-19 biennium.

SECTION B - REVENUES

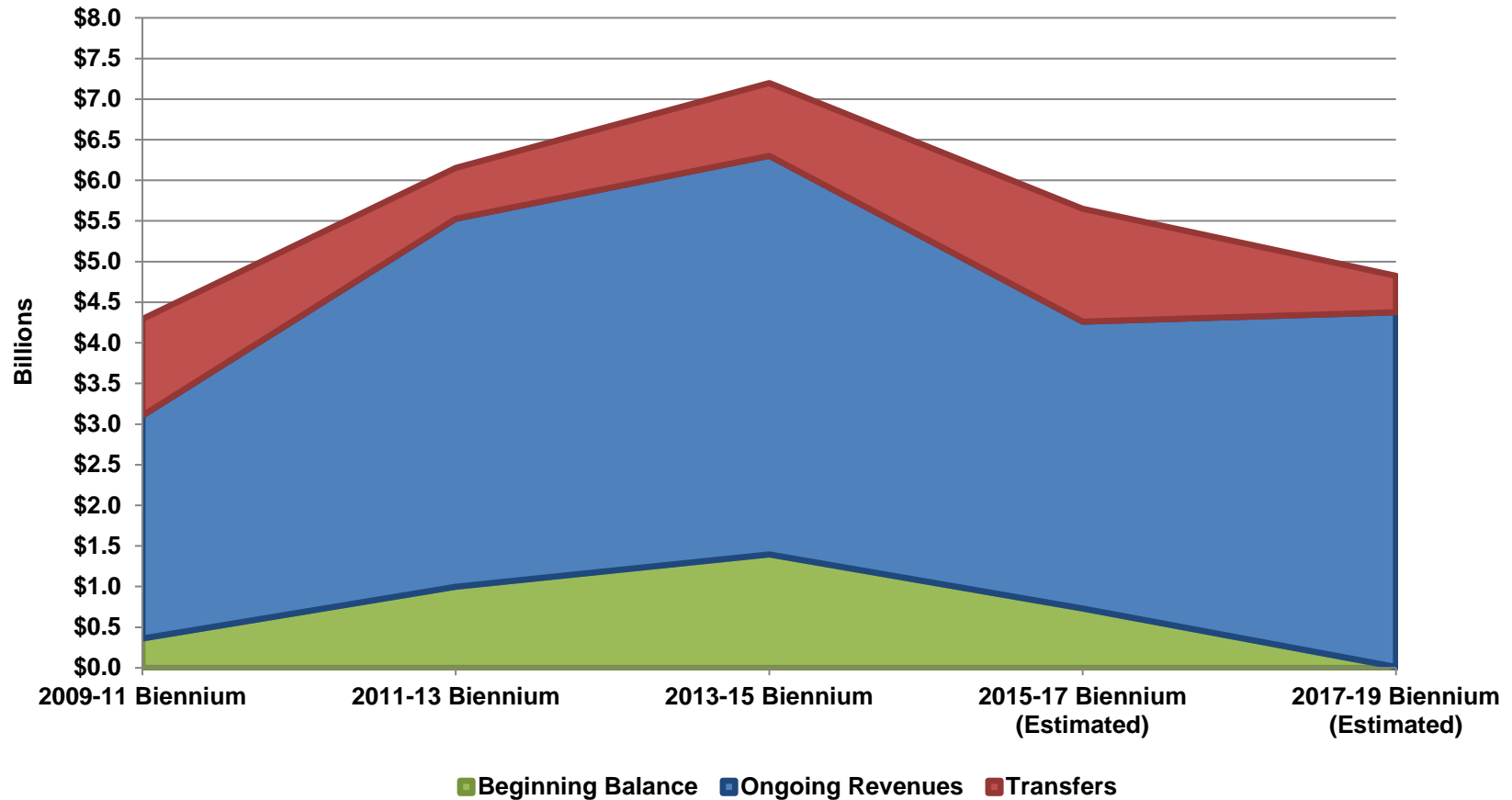
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GENERAL FUND REVENUE SUMMARY

TOTAL GENERAL FUND REVENUES

Based on the December 2016 executive budget revenue forecast, total 2017-19 biennium general fund revenues, including the beginning balance, ongoing revenues, and transfers are estimated to be \$4,824,406,981, which is \$825,270,499, or 14.6 percent, less than total 2015-17 biennium revised estimated revenues of \$5,649,677,480.

The following is a summary of revenues for the 2009-11 through 2017-19 bienniums:



	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium (Estimated)	2017-19 Biennium (Estimated)
Beginning balance	\$361,843,514	\$996,832,711	\$1,396,059,186	\$729,529,389	\$10,980,773
Ongoing revenues	2,742,612,281	4,530,367,522	4,906,838,448	3,532,508,038	4,366,130,164
Transfers	1,190,082,508	625,487,038	894,959,058	1,387,640,053	447,296,044
Total	\$4,294,538,303	\$6,152,687,271	\$7,197,856,692	\$5,649,677,480	\$4,824,406,981

2017-19 BIENNIUM MAJOR REVENUE CHANGES AND KEY ECONOMIC ASSUMPTIONS

GENERAL FUND REVENUE

Ongoing general fund revenues, excluding transfers and the beginning balance, are projected to increase by 23.6 percent, or \$833.6 million, from the 2015-17 biennium revised revenue forecast. Ongoing general fund revenues, excluding transfers and the beginning balance, are projected to increase by 11.8 percent, or \$584.3 million, compared to the 2015-17 biennium original revenue forecast.

Major Ongoing General Fund Revenue Changes

Sales and use tax collections

- Sales and use tax collections are projected to increase by \$131.6 million, or 7.3 percent, compared to the 2015-17 biennium revised revenue forecast.

Motor vehicle excise tax collections

- Motor vehicle excise tax collections are projected to increase by \$8.5 million, or 4.1 percent, compared to the 2015-17 biennium revised revenue forecast.

Individual income tax collections

- Individual income tax collections are projected to increase by 3.0 percent, or \$20.5 million, compared to the 2015-17 biennium revised revenue forecast.
- The 2015-17 biennium revised revenue forecast includes an estimated reduction of \$87 million related to income tax relief approved by the 2015 Legislative Assembly. The executive budget did not include any recommendations that affect the individual income tax in the 2017-19 biennium.

Corporate income tax collections

- Corporate income tax collections are projected to decrease by 26.6 percent, or \$44.2 million, compared to the 2015-17 biennium revised revenue forecast.
- The decrease in corporate income tax collections is primarily related to the phase-in of the single sales factor income apportionment method of determining corporate income tax liability pursuant to 2015 Senate Bill No. 2292.
- The 2015-17 biennium revised revenue forecast includes an estimated reduction of \$21 million related to income tax relief approved by the 2015 Legislative Assembly. The executive budget did not include any recommendations that affect the corporate income tax in the 2017-19 biennium.

Oil and Gas Tax Revenue Collections

- The executive budget recommends increasing the allocation of oil and gas tax revenue collections to the general fund by \$700 million, from \$300 million to \$1 billion for the 2017-19 biennium.

Other General Fund Revenue Changes

- The 2015 Legislative Assembly provided for up to \$30 million of credits for contributions to the housing incentive fund for the 2015-17 biennium. However, the executive budget did not include a recommendation to continue the housing incentive fund tax credits for the 2017-19 biennium.

Major Transfers to the General Fund Changes

Strategic investment and improvements fund transfer

- The executive budget includes a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2015-17 biennium and a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2017-19 biennium.

Bank of North Dakota profit transfer

- The executive budget includes a transfer of \$200 million of Bank of North Dakota profits to the general fund for the 2017-19 biennium.
- The August 2016 revised legislative estimate for 2015-17 biennium general fund revenues includes a contingent transfer of up to \$100 million from Bank of North Dakota profits to the general fund (Senate Bill No. 2379).

Tobacco settlement trust fund transfer

- The executive budget includes a transfer of \$18 million from the tobacco settlement trust fund to the general fund for the 2017-19 biennium.

Mill and Elevator profit transfer

- The transfer of Mill and Elevator profits to the general fund is projected to increase by 152.2 percent, or \$13.4 million, from the 2015-17 biennium revised revenue forecast.
- North Dakota Century Code Section 54-18-19 requires the Industrial Commission to transfer to the general fund 50 percent of the annual earnings and undivided profits of the Mill and Elevator. The executive budget includes a recommendation to increase the transfer to 90 percent of the annual earnings for the 2017-19 biennium.

Legacy fund transfer

- Investment earnings accruing after June 30, 2017, are transferred by the State Treasurer to the general fund at the end of each biennium.
- The transfer of legacy fund investment earnings to the general fund is projected to total \$160 million for the 2017-19 biennium.

OIL AND GAS TAX REVENUE

Oil and gas tax collections are projected to increase by \$453 million, from \$2.933 billion in the 2015-17 biennium to \$3.386 billion in the 2017-19 biennium, based on the December 2016 executive budget revenue forecast.

Allocation Formula Changes

Oil and gas impact grant fund

- The executive budget removes the allocation to the oil and gas impact grant fund (\$100 million per biennium under current law).

North Dakota outdoor heritage fund

- The executive budget limits the allocation to the North Dakota outdoor heritage fund to \$10 million per biennium (\$20 million per fiscal year or \$40 million per biennium under current law).

Abandoned oil and gas well plugging and site reclamation fund

- The executive budget limits the allocation to the abandoned oil and gas well plugging and site reclamation fund to \$5 million per fiscal year (\$7.5 million per fiscal year under current law).

State's share of oil and gas tax allocations

- The executive budget removes the allocation to the tax relief fund (\$300 million per biennium under current law), increases the allocation to the general fund to \$1 billion (\$300 million per biennium under current law), and allocates the remaining revenue 75 percent to the strategic investment and improvements fund and 25 percent to the lignite research fund, up to \$3 million per biennium (100 percent to the strategic investment and improvements fund under current law).

Oil Production and Oil Prices

Oil Production

- Oil production in September 2016 averaged 971,658 barrels per day. Oil production is projected to decrease from 960,000 to 900,000 barrels per day by the end of the 2015-17 biennium and to remain at 900,000 barrels per day during the 2017-19 biennium.

Oil Prices

- North Dakota oil prices averaged \$40.23 per barrel in November 2016, which reflects the average of the West Texas Intermediate price (\$45.87) and the Flint Hills Resources price (\$34.58). North Dakota oil prices are projected to increase from \$40.74 to \$50.49 per barrel for the remainder of the 2015-17 biennium. For the 2017-19 biennium, North Dakota oil prices are projected to be \$51.88 for the first month and \$53.18 for the remaining 23 months.

**2017-19 BIENNIUM DECEMBER 2016 EXECUTIVE BUDGET REVENUE FORECAST
COMPARED TO 2015-17 BIENNIUM ORIGINAL AND REVISED REVENUE FORECASTS**

General Fund Revenue Source	2015-17 Biennium			2017-19 Biennium				
	Original Legislative Revenue Forecast ¹	Increase (Decrease) from Original to Revised	Revised Revenue Forecast	Increase (Decrease) December 2016 Revenue Forecast Compared to 2015-17 Revised Forecast		December 2016 Revenue Forecast	Total Increase (Decrease) December 2016 Revenue Forecast Compared to 2015-17 Original Forecast	
				Amount	Percentage		Amount	Percentage
Beginning balance	\$598,664,078	\$130,865,311	\$729,529,389 ²	(\$718,548,616)	(98.5%)	\$10,980,773 ³	(\$587,683,305)	(98.2%)
Ongoing revenues								
Sales and use tax	\$2,868,026,560	(\$1,058,383,986)	\$1,809,642,574	\$131,582,426	7.3%	\$1,941,225,000	(\$926,801,560)	(32.3%)
Motor vehicle excise tax	314,324,000	(107,108,215)	207,215,785	8,536,215	4.1%	215,752,000	(98,572,000)	(31.4%)
Individual income tax	763,276,000 ⁴	(71,151,251)	692,124,749 ⁴	20,506,251	3.0%	712,631,000 ⁴	(50,645,000)	(6.6%)
Corporate income tax	371,422,000 ⁵	(205,458,200)	165,963,800 ⁵	(44,207,800)	(26.6%)	121,756,000 ⁵	(249,666,000)	(67.2%)
Insurance premium tax	91,830,364	14,985,887	106,816,251	21,183,749	19.8%	128,000,000	36,169,636	39.4%
Cigarette and tobacco tax	61,334,000	(4,251,285)	57,082,715	(2,996,715)	(5.2%)	54,086,000	(7,248,000)	(11.8%)
Oil and gas production tax	155,570,000 ⁶	(52,688,417)	102,881,583 ⁶	410,133,299	398.6%	513,014,882 ⁶	357,444,882	229.8%
Oil extraction tax	144,430,000 ⁶	52,688,417	197,118,417 ⁶	289,866,701	147.1%	486,985,118 ⁶	342,555,118	237.2%
Coal conversion tax	39,578,000	3,147,976	42,725,976	(3,016,976)	(7.1%)	39,709,000	131,000	0.3%
Departmental collections	73,883,318	6,759,607	80,642,925	(911,241)	(1.1%)	79,731,684	5,848,366	7.9%
Other revenues	66,768,454	3,524,809	70,293,263	2,946,217	4.2%	73,239,480	6,471,026	9.7%
Total ongoing revenues	\$4,950,442,696	(\$1,417,934,658)	\$3,532,508,038	\$833,622,126	23.6%	\$4,366,130,164	(\$584,312,532)	(11.8%)
Transfers and other sources								
Transfer - Bank of North Dakota	\$0	\$100,000,000	\$100,000,000 ⁷	\$100,000,000	100.0%	\$200,000,000 ⁷	\$200,000,000	N/A
Transfer - Mill and Elevator Association	13,775,000	(4,940,106)	8,834,894 ⁸	13,445,030	152.2%	22,279,924 ⁸	8,504,924	61.7%
Transfer - Lottery	15,260,000	1,950,000	17,210,000	(2,210,000)	(12.8%)	15,000,000	(260,000)	(1.7%)
Transfer - Gas tax administration	2,030,496	3,304	2,033,800	(17,680)	(0.9%)	2,016,120	(14,376)	(0.7%)
Transfer - Legacy fund	0	0	0	160,000,000	N/A	160,000,000 ⁹	160,000,000	N/A
Transfer - Tobacco settlement trust fund	0	0	0	18,000,000	N/A	18,000,000 ¹⁰	18,000,000	N/A
Transfer - Tax relief fund	657,000,000	0	657,000,000	(657,000,000)	(100.0%)	0	(657,000,000)	(100.0%)
Transfer - Strategic investment and improvements fund	0	30,000,000	30,000,000 ¹¹	0	0.0%	30,000,000 ¹¹	30,000,000	N/A
Transfer - Budget stabilization fund	0	572,485,453	572,485,453	(572,485,453)	(100.0%)	0	0	N/A
Transfers - Other	0	75,906	75,906	(75,906)	(100.0%)	0	0	N/A
Total transfers and other sources	\$688,065,496	\$699,574,557	\$1,387,640,053	(\$940,344,009)	(67.8%)	\$447,296,044	(\$240,769,452)	(35.0%)
Total general fund revenues	\$6,237,172,270	(\$587,494,790)	\$5,649,677,480	(\$825,270,499)	(14.6%)	\$4,824,406,981	(\$1,412,765,289)	(22.7%)

¹ These amounts reflect legislative estimates from May 2015.

² This amount reflects the actual July 1, 2015, unobligated balance.

³ The December 2016 executive budget recommendation projects a July 1, 2017, general fund balance of \$10,980,773. The December 2016 executive budget includes a transfer of \$30,000,000 from the strategic investment and improvements fund to the general fund prior to July 1, 2017. No transfers are anticipated from the general fund to the budget stabilization fund pursuant to North Dakota Century Code Section 54-27.2-02, since the balance of the general fund at the end of the 2015-17 biennium is projected to be less than \$65,000,000.

⁴ The amount shown for the 2015-17 biennium includes estimated revenue reductions of \$87 million relating to income tax relief and \$15 million relating to housing incentive fund credits, which were approved by the 2015 Legislative Assembly. The executive budget did not include any recommendations that affect the individual income tax for the 2017-19 biennium.

⁵ The amount shown for the 2015-17 biennium includes estimated revenue reductions of \$21 million relating to income tax relief and \$15 million relating to housing incentive fund credits, which were approved by the 2015 Legislative Assembly. The executive budget did not include any recommendations that affect the corporate income tax for the 2017-19 biennium.

⁶ The amounts shown for the oil and gas tax revenue collections for the 2015-17 biennium reflect the December 2016 executive budget assumptions for oil price and oil production as well as the legislative changes to the oil and gas tax allocation formulas. The amounts shown for the oil and gas tax revenue collections for the 2017-19 biennium reflect the December 2016 executive budget assumptions for oil price and oil production as well as a recommendation to change the oil and gas tax allocation formulas, including an increase in the allocation to the general fund from \$300 million to \$1 billion.

- ⁷ Senate Bill No. 2379 approved by the Legislative Assembly during the August 2016 special legislative session provided for a contingent transfer of up to \$100 million from Bank of North Dakota profits to the general fund for the 2015-17 biennium. The December 2016 executive budget includes a recommendation to transfer \$200 million from Bank profits to the general fund for the 2017-19 biennium.
- ⁸ The amount shown for the 2015-17 biennium reflects a transfer of 50 percent of the Mill and Elevator profits. The amount shown for the 2017-19 biennium reflects the December 2016 executive budget recommendation to increase the transfer of Mill and Elevator Association profits from 50 to 90 percent.
- ⁹ Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. Section 21-10-12 provides that the investment earnings are the realized earnings of the fund.
- ¹⁰ The December 2016 executive budget includes a recommendation to provide a transfer of \$18 million from the tobacco settlement trust fund to the general fund for the 2017-19 biennium.
- ¹¹ The December 2016 executive budget includes a recommendation to provide a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2015-17 biennium and to provide a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2017-19 biennium.

GENERAL FUND REVENUES - 2011-13 BIENNIUM TO THE 2017-19 BIENNIUM

General Fund Revenue Source	Actual		Estimated		2017-19 Biennium Increase (Decrease) Compared to the 2015-17 Biennium	
	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium ¹	2017-19 Biennium ²	Amount	Percentage
Ongoing revenues						
Sales and use tax	\$2,196,977,793	\$2,478,246,782	\$1,809,642,574	\$1,941,225,000	\$131,582,426	7.3%
Motor vehicle excise tax	252,725,403	277,152,752	207,215,785	215,752,000	8,536,215	4.1%
Individual income tax	1,046,161,236 ³	1,050,062,577 ³	692,124,749 ³	712,631,000 ³	20,506,251	3.0%
Corporate income tax	385,814,247 ⁴	435,243,053 ⁴	165,963,800 ⁴	121,756,000 ⁴	(44,207,800)	(26.6%)
Insurance premium tax	82,857,729	92,526,176	106,816,251	128,000,000	21,183,749	19.8%
Business privilege tax	11,236,510	(4,985,620) ⁵	1,294,077 ⁵	0 ⁵	(1,294,077)	(100.0%)
Cigarette and tobacco tax	53,723,649	60,262,694	57,082,715	54,086,000	(2,996,715)	(5.2%)
Oil and gas production tax	133,834,000 ⁶	146,071,108 ⁶	102,881,583 ⁶	513,014,882 ⁶	410,133,299	398.6%
Oil extraction tax	166,166,000 ⁶	153,928,892 ⁶	197,118,417 ⁶	486,985,118 ⁶	289,866,701	147.1%
Coal conversion tax	38,399,414	40,767,148	42,725,976	39,709,000	(3,016,976)	(7.1%)
Gaming tax	11,136,421	7,195,937	6,924,614	7,301,480	376,866	5.4%
Wholesale liquor tax	17,617,501	18,704,869	18,441,988	19,438,000	996,012	5.4%
Mineral leasing fees	43,052,074	41,348,389	25,615,092	30,500,000	4,884,908	19.1%
Interest income	13,671,280	27,042,938	18,017,492	16,000,000	(2,017,492)	(11.2%)
Departmental collections	76,994,265	83,270,753	80,642,925	79,731,684	(911,241)	(1.1%)
Total ongoing revenues	\$4,530,367,522	\$4,906,838,448	\$3,532,508,038	\$4,366,130,164	\$833,622,126	23.6%
Transfers and other sources						
Transfer - Bank of North Dakota	\$0	\$0	\$100,000,000 ⁷	\$200,000,000 ⁷	\$100,000,000	100.0%
Transfer - Mill and Elevator Association	9,448,922 ⁸	6,817,200 ⁸	8,834,894 ⁸	22,279,924 ⁸	13,445,030	152.2%
Transfer - Lottery	14,300,000	13,300,000	17,210,000	15,000,000	(2,210,000)	(12.8%)
Transfer - Gas tax administration	1,485,000	1,777,360	2,033,800	2,016,120	(17,680)	(0.9%)
Transfer - Legacy fund	0	0	0	160,000,000 ⁹	160,000,000	N/A
Transfer - Tobacco settlement trust fund	0	0	0	18,000,000 ¹⁰	18,000,000	N/A
Transfer - Tax relief fund	295,000,000	341,790,000	657,000,000	0	(657,000,000)	(100.0%)
Transfer - Strategic investment and improvements fund	305,000,000	520,000,000	30,000,000 ¹¹	30,000,000 ¹¹	0	0.0%
Transfer - Budget stabilization fund	0	11,060,345	572,485,453	0	(572,485,453)	(100.0%)
Transfers - Other	253,116	214,153	75,906	0	(75,906)	(100.0%)
Total transfers and other sources	\$625,487,038	\$894,959,058	\$1,387,640,053	\$447,296,044	(\$940,344,009)	(67.8%)
Total general fund revenues	\$5,155,854,560	\$5,801,797,506	\$4,920,148,091	\$4,813,426,208	(\$106,721,883)	(2.2%)

¹ These amounts reflect the revised 2015-17 revenue forecast (December 2016).

² These amounts reflect the executive budget revenue forecast for the 2017-19 biennium.

³ The amount shown for the 2011-13 biennium reflects an estimated revenue reduction of \$120 million relating to income tax rate reductions of 17.9 percent as provided for in 2011 House Bill No. 1047. The amount shown for the 2013-15 biennium reflects an estimated revenue reduction of \$200 million relating to income tax rate reductions of 19.3 percent as provided for in 2013 Senate Bill No. 2156. The amount shown for the 2015-17 biennium reflects an estimated revenue reduction of \$87 million relating to income tax rate reductions of 9.9 percent as provided for in 2015 Senate Bill No. 2349. The December 2016 executive budget did not include any recommendations that affect the individual income tax for the 2017-19 biennium.

⁴ The amount shown for the 2011-13 biennium reflects an estimated revenue reduction of \$25 million relating to income tax rate reductions of 19.5 percent as provided for in 2011 House Bill No. 1047. The amount shown for the 2013-15 biennium reflects an estimated revenue reduction of \$50 million relating to income tax rate reductions of 11.9 percent as provided for in 2013 Senate Bill No. 2156. The amount shown for the 2015-17 biennium reflects an estimated revenue reduction of \$21 million relating to income tax rate reductions of 4.9 percent as provided for in 2015 Senate Bill No. 2349. The December 2016 executive budget did not include any recommendations that affect the corporate income tax for the 2017-19 biennium.

⁵ Senate Bill No. 2325 (2013) repealed the business privilege tax and requires financial institutions to file corporate income tax returns. The estimated fiscal impact of the bill is anticipated to result in a reduction of business privilege tax collections by \$7.3 million and an increase of corporate income tax collections by \$22.5 million during the 2013-15 biennium. Due to the filing of amended tax returns, tax collections and tax refunds may continue in subsequent bienniums.

⁶ In House Bill No. 1451, the 2011 Legislative Assembly created a new section to Chapter 57-51.1 to allocate the state's share of oil and gas tax revenues to a number of state funds. The 2015 Legislative Assembly, in House Bill Nos. 1176 and 1377, amended the section to change the allocations. Based on the changes approved by the 2015 Legislative Assembly, the section provides for the state's share to be allocated as follows in the 2017-19 biennium:

The first \$200 million is deposited in the general fund;

The next \$300 million is deposited in the tax relief fund;

The next \$100 million is deposited in the general fund;

The next \$100 million is deposited in the strategic investment and improvements fund;

Up to the next \$22 million is deposited in the state disaster relief fund, but not in an amount that would bring the unobligated balance of the fund to more than \$25 million; and

Any additional revenues are deposited in the strategic investment and improvements fund.

Based on the December 2016 executive budget, the state's share of oil and gas tax collections are estimated to be \$763 million for the 2015-17 biennium, including allocations of \$300 million to the general fund, \$300 million to the tax relief fund, \$13 million to the state disaster relief fund, \$15 million to the political subdivision allocation fund, and \$135 million to the strategic investment and improvements fund.

The December 2016 executive recommendation includes changing the allocation of the state's share of oil and gas tax revenues to increase the general fund share to \$1 billion. Based on the executive budget, the state's share of oil and gas tax collections are estimated to be \$1,070 million for the 2017-19 biennium, including allocations of \$1 billion to the general fund and \$70 million to the strategic investment and improvements fund.

⁷ Senate Bill No. 2379, approved by the Legislative Assembly during the August 2016 special legislative session provided for a contingent transfer of up to \$100 million from Bank of North Dakota profits to the general fund for the 2015-17 biennium. The December 2016 executive budget includes a recommendation to transfer \$200 million from Bank of North Dakota profits to the general fund for the 2017-19 biennium.

⁸ The 2009 Legislative Assembly repealed the \$5 million transfer from the Mill and Elevator Association for the 2007-09 biennium and provided for future transfers from the Mill and Elevator Association based on a percentage of mill profits. The 2013 Legislative Assembly limited the transfer from the Mill and Elevator Association for the 2013-15 biennium to 50 percent of mill profits, or \$6,817,200, whichever is less. The amount shown for the 2015-17 biennium reflects a transfer of 50 percent of the Mill and Elevator Association profits. The amount shown for the 2017-19 biennium reflects the December 2016 executive budget recommendation to increase the transfer of mill profits from 50 to 90 percent.

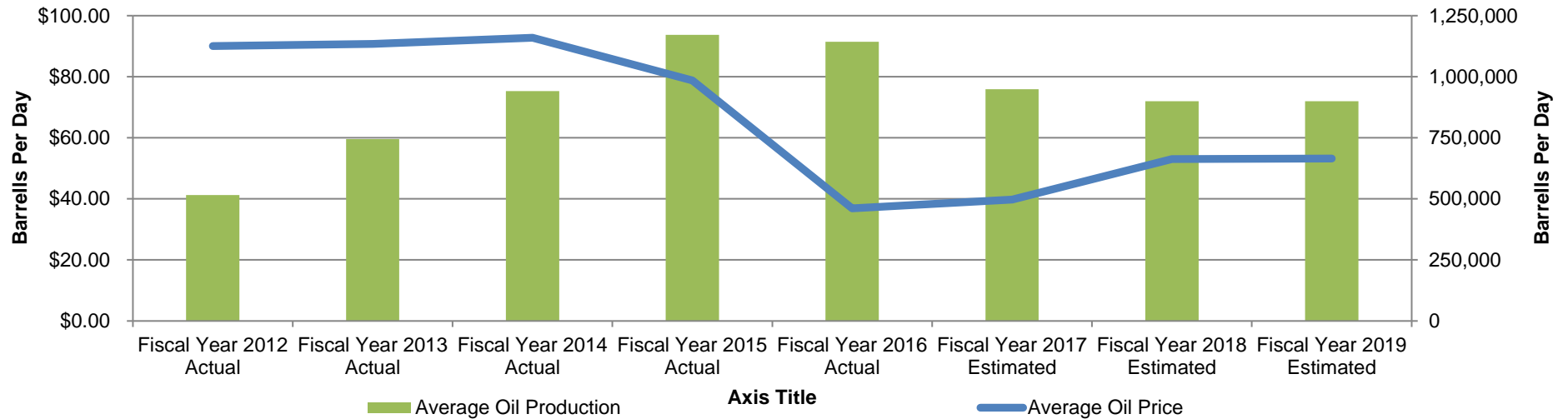
⁹ Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. Section 21-10-12 provides that the investment earnings are the realized earnings of the fund.

¹⁰ The December 2016 executive budget includes a recommendation to provide a transfer of \$18 million from the tobacco settlement trust fund to the general fund for the 2017-19 biennium.

¹¹ The December 2016 executive budget includes a recommendation to provide a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2015-17 biennium and to provide a transfer of \$30 million from the strategic investment and improvements fund to the general fund for the 2017-19 biennium.

OIL PRODUCTION AND OIL PRICE

OIL PRODUCTION AND OIL PRICE TRENDS



	2011-13 Biennium		2013-15 Biennium		2015-17 Biennium		2017-19 Biennium	
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated
Average daily oil production (barrels per day)	515,416	744,238	941,491	1,171,342	1,142,973	948,750	900,000	900,000
Average daily oil price (per barrel)	\$90.01 ¹	\$90.78 ¹	\$92.77 ¹	\$78.83 ¹	\$36.89 ¹	\$39.74	\$53.07	\$53.18

¹These amounts reflect the average of the Flint Hills Resources prices and the West Texas Intermediate prices.

NOTE: Monthly oil tax revenue allocations reflect oil prices and oil production from 2 months prior. For example, June 2017 oil prices and oil production relate to August 2017 oil tax revenue allocations. As a result, the fiscal year averages are based on the oil prices and oil production for the period June through May.

2017-19 BIENNIUM OIL PRODUCTION AND OIL PRICE CHANGES

Based on the executive budget revenue forecast of oil prices of \$51.88 for the first month and \$53.18 for the remaining 23 months for the 2017-19 biennium:

- For every 10,000 barrels of variance from the forecast, the total 2017-19 biennium oil and gas tax revenue collections would change by \$37.6 million.
- For every 100,000 barrels of variance from the forecast, the total 2017-19 biennium oil and gas tax revenue collections would change by \$376.2 million.
- For example, if oil production was 1,000,000 barrels per day for the entire 2017-19 biennium, rather than 900,000 as forecasted, the total 2017-19 biennium oil and gas tax revenue collections would increase by \$376.2 million, from \$3,385.7 million to \$3,761.9 million.

Based on the executive budget revenue forecast of oil production remaining at 900,000 barrels per day for the 2017-19 biennium:

- For every \$1 of variance from the forecast, the total 2017-19 biennium oil and gas tax revenue collections would change by \$63.7 million.
- For example, if oil prices were \$52.88 for the first month and \$54.18 for the remaining 23 months for the 2017-19 biennium, rather than \$51.88 for the first month and \$53.18 for the remaining 23 months as forecasted, the total 2017-19 biennium oil and gas tax revenue collections would increase by \$63.7 million, from \$3,385.7 million to \$3,449.4 million.

ALLOCATION OF ESTIMATED OIL EXTRACTION AND OIL AND GAS GROSS PRODUCTION TAXES FOR THE 2017-19 BIENNIUM (AMOUNTS SHOWN IN MILLIONS)

2017-19 Biennium Estimated Allocations Based on the December 2016 Executive Budget Revenue Forecast												
Tax	Tribal Share ³	Legacy Fund ⁴	North Dakota Outdoor Heritage Fund ⁵	Abandoned Well Reclamation Fund ⁶	Oil and Gas Impact Grant Fund ⁷	Political Subdivisions ⁸	Common Schools Trust Fund ⁹	Foundation Aid Stabilization Fund ⁹	Resources Trust Fund ¹⁰	Oil and Gas Research Fund ¹¹	State Share ¹²	Total
Gross production tax ¹	\$112.02	\$479.49	\$10.00	\$10.00	\$0.00	\$532.62				\$5.05	\$561.12	\$1,710.30
Oil extraction tax ²	109.73	469.70					\$145.42	\$145.42	\$290.85	4.95	509.33	1,675.40
Total	\$221.75	\$949.19	\$10.00	\$10.00	\$0.00	\$532.62	\$145.42	\$145.42	\$290.85	\$10.00	\$1,070.45	\$3,385.70

¹The gross production tax on oil is 5 percent of the gross value at the well on oil produced. The gross production tax on gas is four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.

The oil and gas gross production tax is distributed per formula to political subdivisions and certain state funds, including the oil and gas impact grant fund, the North Dakota outdoor heritage fund, and the abandoned oil and gas well plugging and site reclamation fund.

²The oil extraction tax rate is 6.5 percent of the gross value at the well for production through December 31, 2015. After December 31, 2015, the oil extraction tax rate is 5 percent of the gross value at the well (2015 House Bill No. 1476). Certain oil extraction tax rate reductions and exemptions are available until December 1, 2015, and are based on the price of oil and the type of well. These provisions require the average monthly comparison price of a barrel of oil to be less than the trigger price for 5 consecutive months. After December 31, 2015, the major tax exemptions that remain in effect include stripper wells, incremental oil production, and wells outside the Bakken and Three Forks Formations.

Other tax exemptions include:

- The initial production of oil from a well that was drilled and completed on tribal lands before July 1, 2013, is exempt from any oil extraction tax for a period of 60 months.
- The first 75,000 barrels of oil produced during the first 18 months after completion, from a well drilled and completed outside the Bakken and Three Forks Formations, and 10 miles or more outside an established field in which the Industrial Commission has defined the pool to include the Bakken or Three Forks Formations, is subject to a reduced tax rate of 2 percent of the gross value at the well of the oil.
- A special set of rate reductions and exemptions are effective for qualifying wells if the average monthly comparison price of a barrel of oil is less than \$55 for 1 month. The rate reductions and exemptions are effective until the average monthly comparison price of a barrel of oil exceeds \$70 for 1 month. This special trigger price provision was approved by the 2009 Legislative Assembly, and the 2013 Legislative Assembly in House Bill No. 1198 extended the period during which wells can qualify for the exemption to July 1, 2015.

Beginning July 1, 2011, the oil extraction tax is allocated 30 percent to the legacy fund, 20 percent to the resources trust fund for water development projects, 10 percent to the common schools trust fund, 10 percent to the foundation aid stabilization fund, and the remaining 30 percent is available for the state share.

³The 2013 Legislative Assembly in House Bill No. 1198 amended North Dakota Century Code Section 57-51.2-02 to increase the tribal share of revenue allowable under the tribal agreement for production on nontrust lands from 20 percent of oil and gas gross production taxes to 50 percent of total oil and gas gross production tax and oil extraction tax. The bill also eliminates the 5-year oil extraction tax exemption for wells drilled on an Indian reservation after June 30, 2013. As a result, oil and gas tax revenue collections from tribal lands are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.

⁴Passage of Constitutional Measure No. 1 in the November 2010 general election resulted in the creation of a legacy fund. The legacy fund receives 30 percent of oil and gas gross production and oil extraction taxes beginning July 1, 2011.

⁵The 2013 Legislative Assembly in House Bill No. 1278 amended Section 57-51-15 to provide an allocation of 4 percent of the first 1 percent of oil and gas gross production tax revenue, to a newly created North Dakota outdoor heritage fund with an annual funding cap of \$15 million, or \$30 million per biennium. The 2015 Legislative Assembly in House Bill No. 1176 increased the allocation to 8 percent with an annual funding cap of \$20 million. **The executive budget recommends limiting the allocation to the North Dakota outdoor heritage fund to \$10 million per biennium.**

⁶The 2013 Legislative Assembly in House Bill No. 1333 amended Section 57-51-15 to provide for 4 percent of the first 1 percent of oil and gas gross production tax to be allocated to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding \$5 million per state fiscal year and not in an amount that would bring the balance of the fund to more than \$75 million. In House Bill No. 1032, the 2015 Legislative Assembly increased the allocation limit from \$5 million to \$7.5 million per fiscal year and increased the fund balance limit from \$75 million to \$100 million. **The executive budget recommends limiting the allocation to the abandoned oil and gas well plugging and site reclamation fund to \$5 million per fiscal year.**

⁷The 2015 Legislative Assembly amended Section 57-51-15 to provide an allocation of up to \$140 million to the oil and gas impact grant fund for the 2015-17 biennium and an allocation of up to \$100 million in subsequent bienniums. **The executive budget recommends removing the allocation to the oil and gas impact grant fund.**

⁸Section 57-51-15 provides a formula for distribution of the oil and gas gross production tax to counties and other political subdivisions. In House Bill No. 1358, the 2013 Legislative Assembly changed the formula to provide 100 percent of the first \$5 million of revenue and 25 percent of all revenue over \$5 million to the county. In House Bill No. 1176, the 2015 Legislative Assembly increased the county allocation of revenue over \$5 million by 5 percent to provide 30 percent of all revenue over \$5 million to the county.

For a county that receives less than \$5 million annually of oil tax allocations, 45 percent of all revenues allocated to a county is distributed to the county general fund, 35 percent to school districts within the county based on average daily attendance, and 20 percent to incorporated cities in the county based on population. For a county that receives \$5 million or more, 60 percent of all revenues allocated to a county is distributed to the county general fund, 5 percent to school districts within the county based on average daily attendance, 3 percent to townships in an equal amount to all townships, 3 percent to townships in the county based on the proportion of township road miles, and 9 percent to hub cities based on specified percentages.

⁹The 1993 Legislative Assembly passed Senate Concurrent Resolution No. 4011, which contained a constitutional amendment relating to the allocation of oil extraction tax revenues. The constitutional amendment was approved by the voters in the November 1994 general election. The constitutional amendment provides 20 percent of the oil extraction tax revenues is to be allocated:

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

¹⁰The amount shown reflects the estimated allocation of 20 percent of oil extraction taxes to the resources trust fund. In Senate Bill No. 2014, the 2013 Legislative Assembly amended Section 57-51.1-07 to provide for the following:

- An allocation of 5 percent of the oil extraction tax revenue deposited in the resources trust fund, not to exceed \$3 million, to the renewable energy development fund, which may be spent pursuant to a continuing appropriation.
- An allocation of .5 percent of the oil extraction tax revenue deposited in the resources trust fund, not to exceed \$1.2 million, to a newly created energy conservation fund.

Section 61-02-78, as created by the 2013 Legislative Assembly in Senate Bill No. 2233, established an infrastructure revolving loan fund within the resources trust fund, which became effective January 1, 2015. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. **The executive budget recommends limiting the allocation to the infrastructure revolving loan fund.**

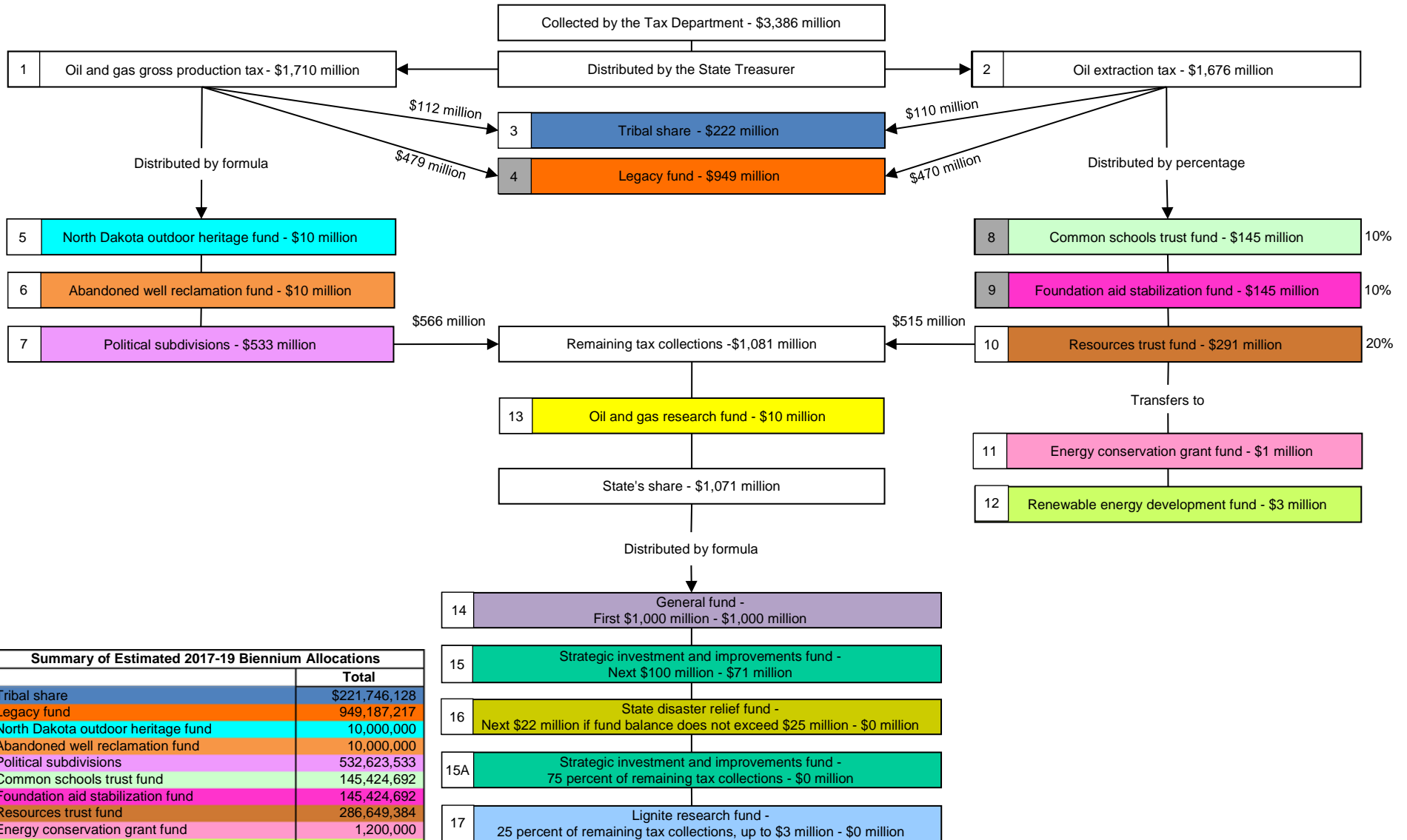
¹¹Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes an oil and gas research fund and provides 2 percent of the state's share of oil and gas gross production tax and oil extraction tax revenues, up to \$4 million per biennium, are to be deposited in the oil and gas research fund. All money deposited in the oil and gas research fund is appropriated as a continuing appropriation to the Oil and Gas Research Council. The 2013 Legislative Assembly in Senate Bill No. 2014 increased the allocation to \$10 million per biennium.

¹²The 2011 Legislative Assembly created a new section to Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1. In House Bill No. 1377, the 2015 Legislative Assembly amended the section to change the allocations. **The executive budget includes a recommendation to change the allocations to provide the following for the 2017-19 biennium:**

- The first \$1,000 million is deposited in the general fund (\$1,000 million);
- The next \$100 million is deposited in the strategic investment and improvements fund (\$70 million);
- The next \$22 million is deposited in the state disaster relief fund, but not in an amount that would bring the unobligated balance to more than \$25 million (\$0 million);
- 75 percent of any additional revenues are deposited in the strategic investment and improvements fund (\$0 million); and
- 25 percent of any additional revenues are deposited in the lignite research fund, up to \$3 million per biennium (\$0 million).

In House Bill Nos. 1176 and 1377, the 2015 Legislative Assembly amended Section 15-08.1-08 to remove the requirement that 25 percent of any revenues received for deposit in the strategic investment and improvements fund in the subsequent month must be deposited instead into the legacy fund if the unobligated balance of the strategic investment and improvements fund exceeds \$300 million at the end of any month.

2017-19 BIENNIUM OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART BASED ON THE DECEMBER 2016 EXECUTIVE BUDGET



Summary of Estimated 2017-19 Biennium Allocations	
	Total
Tribal share	\$221,746,128
Legacy fund	949,187,217
North Dakota outdoor heritage fund	10,000,000
Abandoned well reclamation fund	10,000,000
Political subdivisions	532,623,533
Common schools trust fund	145,424,692
Foundation aid stabilization fund	145,424,692
Resources trust fund	286,649,384
Energy conservation grant fund	1,200,000
Renewable energy development fund	3,000,000
Oil and gas research fund	10,000,000
General fund	1,000,000,000
Strategic investment and improvements fund	70,447,874
State disaster relief fund	0
Lignite research fund	0
Total	\$3,385,703,520

NOTE: A summary of the funds is shown on the following page.

NOTE: The shading in the number boxes represents constitutional allocations

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted and a tax on gas of four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by 2015 House Bill No. 1476, provides for a tax of 5 percent of the gross value at the well on the extraction of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate was 6.5 percent.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax revenues related to the oil production within the Fort Berthold Reservation. The oil and gas tax revenues are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes.
4	Legacy fund	Section 26 of Article X of the Constitution of North Dakota, provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production or extraction.
5	North Dakota outdoor heritage fund	House Bill No. 1278 (2013) created the North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1176 (2015) amended Section 57-51-15 to provide 8 percent of revenues from the first 1 percent of the oil and gas gross production tax, up to \$20 million per fiscal year. The executive budget recommends limiting the allocation to \$10 million per biennium.
6	Abandoned oil and gas well plugging and site reclamation fund	House Bill No. 1333 (2013) and 2015 House Bill No. 1032 amended Section 57-51-15 to increase the allocations to the abandoned oil and gas well plugging and site reclamation fund. Based on current law, 4 percent of the first 1 percent of oil and gas gross production tax is allocated to the fund, not to exceed \$7.5 million per fiscal year and not in an amount that would bring the balance of the fund to more than \$100 million. The executive budget recommends limiting the allocation to \$5 million per fiscal year.
	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund to provide grants to political subdivisions impacted by oil development. House Bill No. 1176 (2015) amended Section 57-51-15 to provide an allocation of revenue from the first 1 percent of the 5 percent oil and gas gross production tax, up to \$140 million for the 2015-17 biennium. After the 2015-17 biennium, up to \$100 million per biennium is to be deposited into the fund. The executive budget recommends removing the allocation to the fund.
7	Political subdivisions	Oil and gas gross production taxes are distributed to political subdivisions under Section 57-51-15 as amended by 2015 House Bill No. 1176.
8	Common schools trust fund	Section 1 of Article IX of the Constitution of North Dakota, provides for a common schools trust fund to be used to support the common schools of the state. Section 24 of Article X of the Constitution of North Dakota, provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. The earnings are distributed through the state school aid payments.
9	Foundation aid stabilization fund	Section 24 of Article X of the Constitution of North Dakota, provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24, as amended by 2015 Senate Concurrent Resolution No. 4003 and approved by the voters, restricts a portion of the fund to offset state school aid payment reductions due to a revenue shortfall and allows the remainder to be used for educational purposes.
10	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Section 22 of Article X of the Constitution of North Dakota, provides that the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems and funding of programs for energy conservation.
11	Energy conservation grant fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to \$1.2 million per biennium.
12	Renewable energy development fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to \$3 million per biennium.
	Infrastructure revolving loan fund	Senate Bill No. 2233 (2013) created an infrastructure revolving loan fund within the resources trust fund to provide loans for water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund. The executive budget recommends removing the infrastructure revolving loan fund.
13	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund for the Oil and Gas Research Council to provide grants. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of oil and gas tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund.
14	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5 provides for an allocation of \$300 million of the state's share of oil and gas tax revenues to the general fund. The executive budget recommends increasing the allocation to \$1 billion.
	Tax relief fund	Section 57-51.1-07.5 provides for the allocation of up to \$300 million of the state's share of oil and gas tax revenues to the tax relief fund each biennium. The executive budget recommends removing the allocation to the tax relief fund.
15 15A	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the distribution of certain oil tax revenues to the strategic investment and improvements fund.
16	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used for the required state share of funding for expenses associated with presidentially declared disasters. Section 57-51.1-07.5 provides for the distribution of up to \$22 million of oil tax revenues to the state disaster relief fund each biennium, but not in an amount that would bring the unobligated balance of the fund to more than \$25 million.
17	Lignite research fund	The executive budget recommends allocating 25 percent of the remaining state share, up to \$3 million, to the lignite research fund.

**DEFICIENCY APPROPRIATIONS FOR THE 2015-17 BIENNIUM
INCLUDED IN THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION
(HOUSE BILL NO. 1024)**

House Bill No. 1024	General Fund	Other Funds¹	Total
Judicial branch - Estimated amount to hire surrogate judges for trials relating to the pipeline protest		\$1,500,000	\$1,500,000
Commission on Legal Counsel for Indigents - Estimated costs for providing counsel for cases filed against pipeline protestors (\$670,000) and estimated costs for the fiscal impact of the passage of Marsy's Law (\$267,000)		937,000	937,000
North Dakota State University - Unreimbursed costs related to the collapse of Minard Hall		1,634,854	1,634,854
State Department of Health - Additional funding for litigation costs against the federal Environmental Protection Agency		250,000	250,000
Department of Human Services - Additional funding for higher than anticipated Medicaid program costs		9,000,000	9,000,000
Adjutant General - Estimated amount to repay a Bank of North Dakota loan for the state's share of disaster costs which include costs from the 2015 Burleigh County fires and costs relating to the pipeline protest		17,079,500	17,079,500
State Historical Society - Additional funding to repay a Bank of North Dakota loan for Double Ditch Historic Site repairs (\$1.3 million) and legal fees associated with litigation related to the Heritage Center expansion project		1,560,125	1,560,125
Total deficiency appropriations for the 2015-17 biennium		\$31,961,479	\$31,961,479

¹Funding for deficiency appropriations is recommended to be from the strategic investment and improvements fund.

SECTION C - APPROPRIATIONS

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GENERAL FUND APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares general fund appropriations recommended in the 2017-19 executive budget to the 2015-17 adjusted appropriations approved by the Legislative Assembly during the August 2016 special legislative session and lists major changes:

	2015-17 Adjusted Legislative Appropriations	Executive Budget Ongoing Increase (Decrease) From 2015-17	Executive Budget One-Time Increase (Decrease) From 2015-17	2017-19 Executive Budget Recommendation
Ongoing general fund appropriations	\$4,571,649,696	\$209,013,158		\$4,780,662,854
One-time general fund appropriations	1,115,025,205		(\$1,115,025,205)	0
Total	\$5,686,674,901	\$209,013,158	(\$1,115,025,205)	\$4,780,662,854
Major changes include:				
Recommended salary and fringe benefits increase (excluding higher education)		\$26,372,081		
State Treasurer		(253,311)	(241,166,699)	
Department of Public Instruction		(86,637,375)	(12,700,030)	
Higher education		(31,939,569)	(155,973,153)	
Department of Human Services		335,464,487	(18,092,167)	
Industrial Commission		(2,599,643)	(7,718,143)	
Department of Corrections and Rehabilitation		10,134,655	(1,466,167)	
Department of Commerce		(1,509,656)	(18,663,260)	
Parks and Recreation Department		(2,114,697)	(14,410,526)	
Department of Transportation			(613,382,959)	
Other net changes		(37,903,814)	(31,452,101)	
Total		\$209,013,158	(\$1,115,025,205)	

Major changes and key recommendations affecting 2017-19 general fund appropriations include:

- **Recommended salary and fringe benefits increase, excluding higher education - \$26,372,081.** The executive budget includes funding for state employee salary increases of 1 percent effective

July 1, 2018. Funding is also provided for employee health insurance premium increases of \$119 per month, from \$1,130 to \$1,249 per month. See the **STATE EMPLOYEES** section for additional information on state employee salary increases.

- **State Treasurer - (\$241,420,010).** The executive budget removes one-time funding of \$233.4 million for 2015-17 biennium property tax relief credits. The executive budget also removes one-time funding of \$7.7 million for 2015-17 township road funding.
- **Department of Public Instruction - (\$99,337,405).** The executive budget provides integrated formula payments totaling \$1,947.1 million, an increase of \$30.5 million from the \$1,916.6 million provided during the 2015-17 biennium. The increase of \$30.5 million includes increases in funding of \$82.1 million from the state tuition fund and \$23.9 million from the foundation aid stabilization fund. Funding from the general fund for integrated formula payments is reduced by \$75.6 million. See the **ELEMENTARY EDUCATION** section for additional information.
- **Higher education - (\$187,912,722).** The executive budget adjusts funding from the general fund as follows:

\$7.5 million increase for inflationary factor adjustments for each North Dakota University System institution to provide funding for salary increases and health insurance increases.

\$2.0 million decrease for the needs-based financial aid grant program. The recommendation also includes a \$1.1 million decrease for the academic and career and technical education scholarship program.

\$11.9 million increase for institution distributions based on student credit-hours completed through the higher education funding formula.

\$45.4 million decrease for base budget reductions to meet the Governor's 90 percent base budget request and an additional 5 percent reduction.

\$156.0 million decrease in one-time funding from the general fund. No one-time funding from the general fund is provided for the 2017-19 biennium.

See the **HIGHER EDUCATION** section for additional information.

- **Department of Human Services - \$317,372,320.** The executive budget changes funding from the general fund as follows:
 - \$275 million to pay expenses of certain county social services programs, which will result in reduced county property tax levies.
 - \$17.1 million relating to federal medical assistance percentage changes.

\$3.5 million for an inflationary increase of 1 percent in the second year of the biennium for human service providers.

\$130.5 million for cost to continue, and anticipated costs, caseload, and utilization changes.

(\$57.1) million as part of the department's savings plan.

- **Industrial Commission - (\$10,317,786).** The executive budget removes one-time funding of \$4.7 million from the general fund for Lignite Research Council grants in the 2015-17 biennium. The executive budget also removes one-time funding of \$2.5 million from the general fund for potential litigation in the 2015-17 biennium.
- **Department of Corrections and Rehabilitation - \$8,668,488.** The executive budget increases funding from the general fund as follows:
 - \$1.26 million for 10.0 new FTE positions at the Youth Correctional Center to ensure compliance with staffing ratios required by the federal Prison Rape Elimination Act.

\$4.7 million of base funding from the general fund to restore 2015-17 budget reductions to continue contracted treatment, transition programming, and inmate housing.

- **Department of Commerce - (\$20,172,916).** The executive budget removes one-time funding of \$18.7 million from the general fund for various grants and programs in the 2015-17 biennium.
- **Parks and Recreation Department - (\$16,525,223).** The executive budget removes one-time funding of \$12.8 million from the general fund for park enhancements in the 2015-17 biennium.
- **Department of Transportation - (\$613,382,959).** The executive budget does not recommend any general fund support for the Department of Transportation for the 2017-19 biennium.

SPECIAL FUNDS APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares all funds and special funds appropriations included in the 2017-19 executive budget to the 2015-17 adjusted appropriations approved by the Legislative Assembly and lists major special funds sources changes:

	2015-17 Adjusted Legislative Appropriations	Increase (Decrease) From 2015-17	2017-19 Executive Budget
All funds appropriations	\$13,976,962,310 ¹	(\$501,616,638)	\$13,475,345,672
Less general fund appropriations	5,686,674,901 ²	(906,012,047)	4,780,662,854
Total special funds appropriations	\$8,290,287,409	404,395,409	\$8,694,682,818
Major special funds sources and changes include:			
Federal funds	\$3,591,247,965 ³	(\$12,095,263)	\$3,579,152,702
Higher Education	64,002,938	1,960,393,865	2,024,396,803
Department of Transportation	1,984,656,019	(1,381,172,387)	603,483,632
State Water Commission	1,143,315,598	(446,025,896)	697,289,702
Department of Human Services	171,688,204	319,195,576	490,883,780
Department of Trust Lands	148,243,153	(110,280,003)	37,963,150
Department of Public Instruction	336,560,483 ⁴	106,577,854	443,138,337
Information Technology Department	148,624,918	45,137,686	193,762,604
Other	701,948,131	(77,336,023)	624,612,108
Total	\$8,290,287,409	\$404,395,409	\$8,694,682,818

¹This amount reflects the original 2015-17 total appropriations of \$14,220,396,794 less \$359,487,777 of general fund appropriations reduced by the Legislative Assembly during the August 2016 special legislative session. The 2015-17 biennium amounts also reflect a \$116,053,293 transfer from the foundation aid stabilization fund to the Department of Public Instruction.

²This amount reflects the original 2015-17 general fund appropriations of \$6,046,162,678 less \$359,487,777 of general fund appropriations reduced by the Legislative Assembly during the August 2016 special legislative session.

³The amount shown for the 2015-17 biennium is the total federal funds appropriated by the 2015 Legislative Assembly as reported by state agencies on a survey for the Budget Section completed in September 2016.

⁴This amount reflects a \$116,053,293 transfer from the foundation aid stabilization fund to the Department of Public Instruction during the 2015-17 biennium.

Major changes and key recommendations affecting 2017-19 special funds appropriations include:

- **Federal funds - (\$12,095,263).** The executive budget recommends a decrease of regular federal funds of \$12,095,263. Please refer to the federal funds comparison schedule under the **APPROPRIATIONS** section for additional information.
- **Higher Education - 1,960,393,865.** The executive budget now includes special fund appropriation recommendations for all North Dakota University System institutions. Previously, the Legislative Assembly only appropriated higher education special fund authority for certain items, such as capital projects and extraordinary repairs. Thus, the increase in higher education is primarily due to the executive budget now reflecting total special fund appropriations for higher education institutions.
- **Department of Transportation - (\$1,381,172,387).** The decrease relates primarily to reduced funding available in the highway fund due to reduced user tax collections and the removal of 2015-17 biennium general fund transfers to the highway fund.
- **State Water Commission - (\$446,025,896).** The decrease relates primarily to reduced funding available in the resources trust fund for water projects due to reduced oil extraction tax collections.
- **Department of Human Services - \$319,195,576.** The increase relates primarily to a new social services property tax relief program (\$275.0 million) and a new long-term care provider assessment (\$42.7 million). The long-term care provider assessment will provide funding for inflationary increases, certain nursing facility and basic care programs, homemaker services, and community of care funding.

- **Department of Trust Lands - (\$110,280,003).** The decrease is primarily due to a \$140 million decrease in available funding from the oil and gas impact grant fund and a \$24.1 million increase in funding from the strategic investment and improvements fund, which will be used for grants for airports.
- **Department of Public Instruction - \$106,577,854.** The increase relates primarily to additional funding available in the state tuition fund as a result of increased distributions from the common schools trust fund (\$82 million) and additional transfers from the foundation aid stabilization fund (\$24 million).
- **Information Technology Department - \$45,137,686.** The increase relates primarily due to a \$43.5 million increase in the health information exchange fund to continue building the North Dakota health information network.

FEDERAL FUNDS
COMPARISON OF 2015-17 APPROPRIATIONS AND 2017-19 EXECUTIVE BUDGET RECOMMENDATION

Agency	2015-17 Appropriation ¹	2015-17 Current Estimate ¹	2017-19 Executive Budget	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Appropriation	Percentage Increase (Decrease)
Department of Human Services	\$2,074,351,759	\$2,070,779,181	\$2,021,555,171	(\$52,796,588) ²	(2.5%) ²
Department of Transportation	616,500,000	616,500,000	673,386,592	56,886,592 ³	9.2% ³
Adjutant General	185,048,805	127,696,110	162,915,659	(22,133,146) ⁴	(12.0%) ⁴
Job Service North Dakota	69,777,470	62,737,971	53,248,401	(16,529,069) ⁵	(23.7%) ⁵
State Water Commission	15,620,238	6,646,238	27,473,887	11,853,649 ⁶	75.9% ⁶
Upper Great Plains Transportation Institute	4,479,226	8,630,793	12,319,272	7,840,046 ⁷	175.0% ⁷
Department of Commerce	54,926,671	55,028,651	48,272,568	(6,654,103) ⁸	(12.1%) ⁸
Housing Finance Agency	25,227,780	27,241,076	31,244,828	6,017,048 ⁹	23.9% ⁹
Game and Fish Department	32,735,500	32,196,587	38,170,086	5,434,586	16.6%
State Department of Health	123,345,053	115,110,509	118,990,680	(4,354,373)	(3.5%)
Department of Corrections and Rehabilitation	5,733,326	7,962,784	10,047,799	4,314,473	75.3%
Department of Public Instruction	284,948,800	277,201,946	288,373,485	3,424,685	1.2%
Public Service Commission	12,752,230	8,687,941	10,750,154	(2,002,076)	(15.7%)
Attorney General	8,332,946	7,663,331	10,249,364	1,916,418	23.0%
Aeronautics Commission	2,195,000	909,849	1,025,000	(1,170,000)	(53.3%)
Information Technology Department	3,088,121	936,370	2,875,000	(213,121)	(6.9%)
Department of Career and Technical Education	9,542,913	9,477,306	9,461,692	(81,221)	(0.9%)
Department of Agriculture	11,815,585	12,045,085	12,095,703	280,118	2.4%
All other agencies and institutions	50,826,542	49,013,638	46,697,361	(4,129,181)	(8.1%)
Total	\$3,591,247,965	\$3,496,465,366	\$3,579,152,702	(\$12,095,263)	(0.3%)

¹ 2015-17 appropriation and 2015-17 current estimate - These amounts were reported by state agencies and institutions in response to a Legislative Council staff survey completed in September 2016 for the Budget Section.

² **Department of Human Services - \$52,796,588 decrease**

The decrease is primarily attributable to anticipated decreases in funding for the following programs:

Medicaid (from \$1,570,163,051 in 2015-17 to \$1,538,644,172 in 2017-19)	(\$31,518,879)
Temporary assistance for needy families block grant (from \$57,437,317 in 2015-17 to \$44,572,461 in 2017-19)	(\$12,864,856)

³ **Department of Transportation - \$56,886,592 increase**

The increase is primarily attributable to an anticipated increase in the following program:

Federal Highway Administration (from \$587,700,000 in 2015-17 to \$656,091,138 in 2017-19)	\$68,391,138
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⁴ **Adjutant General - \$22,133,146 decrease**

The decrease is primarily attributable to an anticipated decrease in the following program:

Disaster assistance - Public assistant grants (from \$53,057,620 in 2015-17 to \$24,956,632 in 2017-19)	(\$28,100,988)
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⁵ **Job Service North Dakota - \$16,529,069 decrease**

The decrease is primarily attributable to anticipated decreases in the following programs:

Unemployment insurance (from \$25,162,622 in 2015-17 to \$16,806,813 in 2017-19)	(\$8,355,809)
Workforce Investment Act (from \$13,346,860 in 2015-17 to \$11,109,893 in 2017-19)	(\$2,236,967)
Wagner Peyser (from \$10,412,860 in 2015-17 to \$8,142,147 in 2017-19)	(\$2,270,713)

⁶ **State Water Commission - \$11,853,649 increase**

The increase is primarily attributable to an anticipated increase in the following program:

Northwest Area Water Supply Project (from \$7,500,000 in 2015-17 to \$15,000,000 in 2017-19)	\$7,500,000
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⁷ **Upper Great Plains Transportation Institute - \$7,840,046 increase**

The increase is primarily attributable to an anticipated increase in the following program:

University transportation centers (from \$4,479,226 in 2015-17 to \$12,319,272 in 2017-19)	\$7,840,046
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⁸ **Department of Commerce - \$6,654,103 decrease**

The decrease is primarily attributable to anticipated decrease in the following program:

Disaster community development block grant (from \$12,859,869 in 2015-17 to \$5,231,139 in 2017-19)	(\$7,628,730)
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⁹ **Housing Finance Agency - \$6,017,048 increase**

The increase is primarily attributable to an anticipated increase in the following program:

Housing trust fund (from \$0 in 2015-17 to \$5,400,000 in 2017-19)	\$5,400,000
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ECONOMIC DEVELOPMENT - GENERAL FUND APPROPRIATIONS

	2013-15 Legislative Appropriation	2015-17 Adjusted Legislative Appropriation	2017-19 Recommended Increase (Decrease) to 2015-17 Adjusted Appropriation	2017-19 Executive Recommendation
Department of Commerce - SB 2078				
Administration				
Marketing and communications program	\$848,378	\$802,397	(\$67,251)	\$735,146
Discretionary funds	928,082	784,152	30,688	814,840
Partner programs	2,022,044	2,173,830	(173,990)	1,999,840
Visual North Dakota	250,000	0	0	0
Trade Office	2,613,400	2,556,694	(204,634)	2,352,060
Division of Economic Development and Finance				
Operating costs	2,797,559	1,052,835	(67,878)	984,957
Economic development initiatives	186,846	0	0	0
Agricultural Products Utilization Commission	1,843,765	1,242,390	(1,242,390)	0 ¹
Innovation and entrepreneurship				
Operating costs	588,323	88,704	15,813	104,517
Entrepreneurship grants and vouchers	450,000	3,066,830	(1,566,830)	1,500,000
Research North Dakota	12,000,000	4,353,542	(4,353,542)	0
Unmanned aerial system grant	5,000,000	2,662,105	(2,662,105)	0 ²
Base retention grant	1,500,000	1,500,000	(1,500,000)	0 ²
Division of Workforce Development				
Operating costs	1,272,847	2,690,528	(834,405)	1,856,123
Operation intern	1,500,000	1,550,000	(50,000)	1,500,000
Tribal college grants	5,000,000	1,837,130	(1,837,130)	0
Transfer to the workforce enhancement fund	2,000,000	960,069	(960,069)	0
North Dakota Tourism				
Operating costs	8,821,326	10,149,017	(2,570,127)	7,578,890
Tourism infrastructure grants	750,000	586,000	(586,000)	0
Tourism marketing and event grants	141,975	141,975	(141,975)	0
Tourism marketing USS ND grants	100,000	0	0	0
Division of Community Services				
Energy conservation grant program	0 ³	0 ³	0 ³	0 ³
Total	\$50,614,545	\$38,198,198	(\$18,771,825)	\$19,426,373
Department of Agriculture - HB 1069				
Marketing and information	\$1,822,854	\$2,483,268	(\$530,331)	\$1,952,937
Total	\$1,822,854	\$2,483,268	(\$530,331)	\$1,952,937
Department of Career and Technical Education - SB 2079				
Farm management program	\$749,802	\$660,438	(\$80,616)	\$579,822
Workforce training contracts	3,000,000	2,803,500	(203,500)	2,600,000
Total	\$3,749,802	\$3,463,938	(\$284,116)	\$3,179,822

	2013-15 Legislative Appropriation	2015-17 Adjusted Legislative Appropriation	2017-19 Recommended Increase (Decrease) to 2015-17 Adjusted Appropriation	2017-19 Executive Recommendation
Job Service North Dakota - SB 2076				
Workforce 20/20	\$1,541,924	\$1,441,225	(\$938,316)	\$502,909
Total	\$1,541,924	\$1,441,225	(\$938,316)	\$502,909
Industrial Commission - SB 2074				
Renewable energy development fund	\$0 ³	\$0 ³	0	\$0 ³
Total	\$0	\$0	0	\$0
Bank of North Dakota - SB 2074				
Partnership in Assisting Community Expansion (PACE)	\$0 ⁴	\$0 ⁴	\$0 ⁴	\$0 ⁴
Ag PACE	0 ⁴	0 ⁴	0 ⁴	0 ⁴
Beginning farmer revolving loan fund	0 ⁴	0 ⁴	0 ⁴	0 ⁴
Biofuels PACE	0 ⁴	0 ⁴	0 ⁴	0 ⁴
Total	\$0	\$0	\$0	\$0
Total economic development funding	\$57,729,125	\$45,586,629	(\$20,524,588)	\$25,062,041

¹The 2017-19 executive recommendation provides a total of \$3,154,929 in special fund appropriations for the Agricultural Products Utilization Commission.

²The 2017-19 executive recommendation provides special fund appropriations of \$3 million from the strategic investment and improvements fund to the Department of Commerce, including \$2 million for unmanned aerial system grants and \$1 million for base retention grants.

³North Dakota Century Code Section 57.51.1-07 (2013 Senate Bill No. 2014) provides that 5 percent of oil extraction tax revenue credited to the resources trust fund be transferred to the renewable energy development fund, up to \$3 million per biennium. In addition the section provides that 0.5 percent of the amount credited to the resources trust fund be transferred into the energy conservation grant fund, up to \$1.2 million per biennium.

For the 2013-15 and 2015-17 bienniums, the amount transferred to the renewable energy development fund was \$3 million each biennium. The amount transferred to the energy conservation grant fund was \$1.2 million in the 2013-15 biennium and is projected to be \$1,189,224 in the 2015-17 biennium. For the 2017-19 biennium, the amount projected to be transferred to the renewable energy development fund is \$3 million, and the amount projected to be transferred to the energy conservation grant fund is \$1.2 million.

⁴The following are transfers from the Bank of North Dakota's retained earnings and profits for economic development programs:

	2015-17 Biennium	2017-19 Biennium
PACE	\$28,000,000	\$16,000,000
Ag PACE	3,000,000	2,000,000
Biofuels PACE	2,000,000	1,000,000
Beginning farmer revolving loan fund	7,000,000	6,000,000
Total	\$40,000,000	\$25,000,000

LARGE INFORMATION TECHNOLOGY PROJECTS FOR THE 2017-19 BIENNIUM¹

Agency or Institution	Project	General Fund	Other Funds	Total
112 - Information Technology Department (SB 2081)	Continuation of a North Dakota Health Information Network project		\$19,400,000	\$19,400,000
226 - Department of Trust Lands (SB 2073)	Replacement of the current information technology system		5,520,000	5,520,000
301 - State Department of Health (SB 2064)	Implementation of the contractor component to the electronic benefits transfer (EBT) system for women, infants, and children (WIC)		1,739,220	1,739,220
325 - Department of Human Services (HB 1072)	Development of a certification and licensing system for child care		3,000,000	3,000,000
	Improvements to the health information technology (HIT) - care coordination project to increase data sharing and interoperability for North Dakota health care providers and citizens		40,800,000	40,800,000
380 - Job Service North Dakota (SB 2076)	Improvements to unemployment insurance (UI) system and replacement of mainframe		11,200,000	11,200,000
485 - Workforce Safety and Insurance (HB 1081)	Continuation of a claims and policy system (CAPS) database project		8,120,097	8,120,097
	Development of a secure extranet portal for injured workers, employers, and medical providers		538,500	538,500
	Replacement of existing Oracle transactional reporting system		275,000	275,000
530 - Department of Corrections and Rehabilitation (SB 2075)	Replacement of electronic health records system		935,907	935,907
801 - Department of Transportation (SB 2072)	Implementation of document scanning to comply with Real-ID regulations		1,300,500	1,300,500
Total 2017-19 executive budget recommendation		\$0	\$92,829,224	\$92,829,224

¹North Dakota Century Code Section 54-59-02.1 requires the State Information Technology Advisory Committee to prioritize major executive branch computer software projects. The committee met on September 27, 2016, and prioritized information technology projects for the 2017-19 biennium with a total cost over \$500,000 by funding source. The following is a summary of the prioritization, including information as to the preliminary project budget and the amount included in the executive budget:

General Fund Projects				
	Project	Agency	Preliminary Project Budget	Included in Executive Budget Recommendation
1	Electronic health records	Department of Corrections and Rehabilitation	\$935,907	\$935,907 ^b
2	State interoperable radio network ^a	Information Technology Department	\$65,350,835	
3	E-voting tabulators	Secretary of State's office	\$9,000,000	
4	Child care licensing system	Department of Human Services	\$3,000,000	\$3,000,000 ^c
5	E-poll books	Secretary of State's office	\$3,000,000	

^aThe state interoperable radio network project total estimated cost is \$65,350,835, which includes \$56,553,669 from the general fund and \$8,797,166 from special funds.

^bThe electronic health records project is included in the executive budget with funding from the strategic investment and improvements fund.

^cThe child care licensing system project is included in the executive budget with funding from federal funds.

Federal Fund Projects

1	HIT - care coordination ^a	Department of Human Services	\$40,800,000	\$40,800,000
2	WIC EBT	State Department of Health	\$1,739,220	\$1,739,220
3	NDFoods 2.0	Department of Public Instruction	\$2,267,371	

^aThe HIT - care coordination project total estimated cost is \$48,000,000, which includes \$40,800,000 from federal funds and \$7,200,000 from special funds.

Special Fund Projects

1	Real-ID	Department of Transportation	\$510,000	\$1,300,500
2	CAPS phase 3	Workforce Safety and Insurance	\$10,150,121	\$8,120,097
3	UI modernization ^a	Job Service North Dakota	\$11,000,000	\$11,200,000
4	Driver's license rewrite	Department of Transportation	\$11,585,000	
5	Trust Lands replacement system	Department of Trust Lands	\$5,250,000	\$5,520,000
6	Extranet	Workforce Safety and Insurance	\$1,050,660	\$538,500
7	Traffic data editing and analysis	Department of Transportation	\$1,074,000	
8	Oracle reports replacement	Workforce Safety and Insurance	\$535,000	\$275,000

^aThe unemployment insurance modernization project is a federal funds project that was mistakenly submitted as a special fund project by Job Service North Dakota.

**MAJOR STATE APPROPRIATIONS AND REVENUE ALLOCATIONS FOR DIRECT ASSISTANCE TO POLITICAL SUBDIVISIONS
COMPARISON OF 2015-17 BIENNIUM APPROPRIATIONS AND ALLOCATIONS
TO 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS**

	2015-17	2017-19 Executive Budget Recommendation	2017-19 Recommended Increase (Decrease) Compared to 2015-17 Appropriations/ Revenue Allocations	
	Appropriations/ Revenue Allocations		Amount	Percentage
General fund appropriations				
State school aid - Integrated formula payments	\$1,581,452,707 ¹	\$1,505,856,547 ¹	(\$75,596,160)	(4.8%)
School district information technology network costs (statewide information technology network costs)	4,780,862	4,439,142	(341,720)	(7.1%)
Educational Technology Council grants	1,457,060	0	(1,457,060)	(100.0%)
Transportation aid payments to school districts	57,000,000	51,300,000	(5,700,000)	(10.0%)
Special education contracts	17,300,000	19,300,000	2,000,000	11.6%
Rapid enrollment grants	12,504,530 ²	0	(12,504,530)	(100.0%)
School district safety grants	849,130	0	(849,130)	(100.0%)
Reimbursement for cardiopulmonary resuscitation (CPR) training	165,500	0	(165,500)	(100.0%)
English language learner grants	1,000,000	0	(1,000,000)	(100.0%)
Medicaid matching grants - Student therapy services	163,611	0	(163,611)	(100.0%)
Prekindergarten space grants	125,000	125,000	0	0.0%
Vocational education	25,733,453	22,033,507	(3,699,946)	(14.4%)
School food services	1,380,000	1,380,000	0	0.0%
Adult education	4,110,411	3,670,411	(440,000)	(10.7%)
Grants to public libraries	2,033,000	1,919,700	(113,300)	(5.6%)
Library Vision 2014 grants	237,500	237,500	0	0.0%
Public library repairs and maintenance matching grants	250,000	0	(250,000)	(100.0%)
Homestead tax credit	18,690,000	16,000,000	(2,690,000)	(14.4%)
Disabled veteran property tax credit	7,175,091	6,910,200	(264,891)	(3.7%)
Aid to health districts	4,250,000	3,250,000	(1,000,000)	(23.5%)
Children's special health services grants for multidisciplinary clinics	31,156	31,156	0	0.0%
Suicide prevention grants	176,000	196,730	20,730	11.8%
Emergency medical services training	940,000	846,000	(94,000)	(10.0%)
Emergency medical services operations	6,066,550	5,625,000	(441,550)	(7.3%)
Public water system operator certification and training program	180,000	180,000	0	0.0%
Funds to local public health units for immunization services	1,276,853 ³	0 ³	(1,276,853)	(100.0%)
Funds to provide autopsies in the eastern part of the state at the University of North Dakota School of Medicine and Health Sciences	640,000	640,000	0	0.0%
Matching funds to counties and cities for senior citizen services and programs	1,367,686	1,165,240	(202,446)	(14.8%)
Indian welfare assistance to counties	5,942,875	1,629,964	(4,312,911)	(72.6%)
Child welfare, service payments to the elderly and disabled (SPED), and technology costs - State paying county share	19,300,000	24,125,000 ⁴	4,825,000	25.0%
County emergency human services mill levy grants	3,900,000	0	(3,900,000)	(100.0%)
County social service costs	0	275,000,000	275,000,000	N/A
Boys and girls clubwork	53,000	53,000	0	0.0%
Soil conservation district grants	1,133,362	1,091,520	(41,842)	(3.7%)
Clerk of court	23,036,858	24,166,012	1,129,154	4.9%
Grants to airports	934,500	900,000	(34,500)	(3.7%)
Transportation funding distributions to counties, cities, and townships in non-oil-producing counties	104,664,000 ¹⁵	0	(104,664,000)	(100.0%)

	2015-17	2017-19 Executive Budget Recommendation	2017-19 Recommended Increase (Decrease) Compared to 2015-17 Appropriations/ Revenue Allocations	
	Appropriations/ Revenue Allocations		Amount	Percentage
Transportation funding distributions to townships in non-oil-producing counties	8,000,000 ¹⁵	0	(8,000,000)	(100.0%)
EduTech services, including school district antivirus licenses and PowerSchool funding	3,518,764	3,508,345	(10,419)	(0.3%)
Coal-producing county reimbursements for coal severance payments to non-coal-producing counties	228,952 ⁵	0 ⁵	(228,952)	(100.0%)
Adjutant General firefighter training grants	374,172	0	(374,172)	(100.0%)
Child care facility grants	2,250,000	300,000	(1,950,000)	(86.7%)
Community service supervision grants	500,000	0	(500,000)	(100.0%)
Guardianship grants	1,328,600	1,195,740	(132,860)	(10.0%)
State-paid property tax relief credits	233,425,000	0	(233,425,000)	(100.0%)
Total general fund	\$2,159,926,183	\$1,977,075,714	(\$182,850,469)	(8.5%)
Percentage of total general fund appropriations	38.0%	41.4%	3.4%	8.9%
Special funds appropriations and revenue allocations				
State school aid - Integrated formula payments (state tuition fund)	\$219,134,000 ¹	\$301,264,000 ¹	\$82,130,000	37.5%
State school aid - Integrated formula payments (foundation aid stabilization fund)	116,053,293 ¹	140,000,000 ¹	23,946,707	20.6%
Grants for adult education programs (displaced homemaker fund)	225,000	225,000	0	0.0%
Educational Technology Council grants	600,000	85,000	(515,000)	(85.8%)
Vocational education	124,488	0	(124,488)	(100.0%)
Noxious weed control	1,375,274	1,375,274	0	0.0%
State aid distribution fund to cities and counties	192,186,941	205,538,881	13,351,940	6.9%
State aid to health districts (tobacco prevention and control trust fund)	0	1,000,000	1,000,000	N/A
Tobacco prevention funding to health districts (tobacco prevention and control trust fund)	0	3,000,000	3,000,000	N/A
Public transportation services (public transportation fund)	8,286,900 ⁶	8,100,000 ⁶	(186,900)	(2.3%)
Insurance tax to fire departments (insurance tax distribution fund)	15,681,207	14,113,086	(1,568,121)	(10.0%)
Gaming enforcement grants	510,000	510,000	0	0.0%
Law enforcement grants	9,000,000	0	(9,000,000)	(100.0%)
Community health trust fund cessation grants (community health trust fund)	234,000	58,000	(176,000)	(75.2%)
Tobacco education and cessation program grants (tobacco prevention and control trust fund)	8,025,491	0	(8,025,491)	(100.0%)
Abandoned vehicle cleanup (abandoned vehicle fund)	215,000	215,000	0	0.0%
Emergency medical services operations (insurance tax distribution fund)	1,250,000	1,250,000	0	0.0%
Matching funds to counties and cities for senior citizen services and programs	6,667,719 ⁷	8,035,000 ⁷	1,367,281	20.5%
Energy development impact grants (oil and gas impact grant fund)	139,300,000 ⁸	0 ⁸	(139,300,000)	(100.0%)
Grants to airports (Aeronautics Commission special funds collections)	6,500,000	29,900,000 ⁹	23,400,000	360.0%
Motor vehicle fuel tax and registration fee allocations	202,000,000 ¹⁰	140,430,000 ¹⁰	(61,570,000)	(30.5%)
Telecommunications tax allocations	16,800,000	16,800,000	0	0.0%
Coal severance tax allocations	15,500,000 ¹¹	15,100,000 ¹¹	(400,000)	(2.6%)
Coal conversion tax allocations	12,000,000 ¹¹	11,700,000 ¹¹	(300,000)	(2.5%)
Distributions to cities from the strategic investment and improvements fund	282,000,000	0	(282,000,000)	(100.0%)
Political subdivision allocation fund	14,854,178	0	(14,854,178)	(100.0%)
Oil and gas gross production tax allocations	534,126,827 ¹²	532,623,532 ¹³	(1,503,295)	(0.3%)
Cigarette tax allocations	3,300,000	3,100,000	(200,000)	(6.1%)
Transportation funding distributions to counties, cities, and townships in non-oil-producing counties (strategic investment and improvements fund)	128,000,000 ¹⁵	0	(128,000,000)	(100.0%)
Transportation funding distributions to counties, cities, and townships in oil-producing counties (strategic investment and improvements fund)	240,000,000 ¹⁴	0	(240,000,000)	(100.0%)
Rice Lake flood mitigation (state disaster relief fund)	2,000,000	0	(2,000,000)	(100.0%)

	2015-17 Appropriations/ Revenue Allocations	2017-19 Executive Budget Recommendation	2017-19 Recommended Increase (Decrease) Compared to 2015-17 Appropriations/ Revenue Allocations	
			Amount	Percentage
Fargo interior flood control (state disaster relief fund)	30,000,000	0	(30,000,000)	(100.0%)
Bismarck area flood levees (state disaster relief fund)	4,000,000	0	(4,000,000)	(100.0%)
Energy conservation grants to political subdivisions	1,200,000	1,200,000	0	0.0%
Total special funds appropriations and revenue allocations	<u>\$2,211,150,318</u>	<u>\$1,435,622,773</u>	<u>(\$775,527,545)</u>	(35.1%)
Total major direct assistance to political subdivisions	<u>\$4,371,076,501</u>	<u>\$3,412,698,487</u>	<u>(\$958,378,014)</u>	(21.9%)

- ¹ The 2017-19 executive budget provides integrated formula payments totaling \$1.947 billion, an increase of \$30.5 million from the integrated formula payments provided during the 2015-17 biennium. Integrated formula payments include funding to reduce the amount of money school districts need to raise locally through property taxes.
- ² The 2015 Legislative Assembly provided \$12.5 million, as adjusted for the August 2016 budget reductions, from the general fund to provide grants to any school district that can demonstrate rapid enrollment growth. The 2017-19 executive budget recommendation does not include funding for rapid enrollment grants.
- ³ The 2015 Legislative Assembly provided in the department's base budget, as adjusted for the August 2016 budget reductions, \$1.3 million for the universal vaccine program. The department discontinued the program as of July 1, 2016, and the 2017-19 executive budget does not include funding for the universal vaccine program.
- ⁴ The amount shown for the 2017-19 biennium is an estimate based on the 2015-17 biennium appropriation which was for 18 months of the biennium.
- ⁵ The 2015-17 biennium appropriation was reduced by \$16,048 due to the budget reductions in August. The 2017-19 biennium executive budget recommends removing the coal severance payments.
- ⁶ The amounts listed for public transportation services are based on the public transportation fund receiving a distribution of 1.5 percent of funding deposited in the highway tax distribution fund.
- ⁷ The 2005 Legislative Assembly removed the senior citizen mill levy matching grant program from the Department of Human Services and provided in Senate Bill No. 2267 that the State Treasurer distribute senior citizen mill levy matching grants pursuant to a continuing appropriation from the senior citizen services and programs fund. The fund consists of sales, use, and motor vehicle excise tax collections equivalent to two-thirds of one mill levied statewide each year. The 2011 and 2013 Legislative Assemblies increased the amount of collections allocated to the fund. The Legislative Assembly in 2015 Senate Bill No. 2143, increased the amount of collections to the fund to 87.5 percent of one mill levied statewide each year.
- ⁸ House Bill No. 1176 (2015) provided \$139.3 million for energy infrastructure and impact grants from money deposited in the oil and gas impact grant fund for the 2015-17 biennium. The actual grant awards for the 2015-17 biennium may be less than the amount appropriated due to lower oil and gas tax allocations to the fund resulting from lower oil prices than forecasted. The 2017-19 executive budget recommends removing the oil and gas tax allocations to the fund and the removing grants from the fund.
- ⁹ The 2017-19 executive budget includes a \$24.1 million appropriation from the strategic investment and improvements fund for grants to airports impacted by oil and gas development.
- ¹⁰ The motor vehicle fuel tax and registration fee allocation is based on allocations from the highway tax distribution fund of 34.5 percent to cities and counties and 2.7 percent to the township highway fund.
- ¹¹ The coal severance tax allocation is based on the provision that 70 percent of the tax revenue is allocated among coal-producing counties. The coal conversion tax allocation is based on the provision that 15 percent of the tax revenue is allocated to the county in which the plant is located.
- ¹² The oil and gas gross production tax allocation is based on a formula which allocates a percentage of gross production tax revenue to the producing county with the remainder going to the state. The allocations from the gross production tax revenue are distributed to counties, cities, school districts, townships, and hub cities based on a formula. The amounts shown for the 2015-17 biennium reflect actuals through November 2016 and estimates for the remaining 8 months of the biennium based on the December 2016 executive budget revenue forecast.
- ¹³ The amount shown is based on the December 2016 revenue forecast.
- ¹⁴ The 2015 Legislative Assembly appropriated \$240 million from the strategic investment and improvements fund in Senate Bill No. 2103 to the Department of Transportation for transportation funding distributions to oil-producing political subdivisions.

¹⁵ The 2015 Legislative Assembly appropriated from the general fund \$8 million (\$7,676,000 after the general fund budget reductions) in House Bill No. 1012 to the State Treasurer to provide allocations for the benefit of townships in non-oil-producing counties for township roads. The 2015 Legislative Assembly appropriated \$112 million (\$104,664,000 after budget reductions) from the general fund in House Bill No. 1176 to the Department of Transportation for transportation funding distributions to non-oil-producing political subdivisions. The 2015 Legislative Assembly appropriated from the strategic investment and improvements fund \$16 million in Senate Bill No. 2103 to the State Treasurer for transportation funding distributions to non-oil-producing county townships and appropriated from the strategic investment and improvements fund \$112 million to the Department of Transportation for transportation funding distributions to non-oil-producing political subdivisions.

SECTION D - ELEMENTARY AND SECONDARY EDUCATION

SUMMARY OF KEY RECOMMENDATIONS

D-1

STATE SCHOOL AID, OTHER GRANTS, AND DEPARTMENT OF PUBLIC INSTRUCTION
ADMINISTRATION - COMPARISON OF 2017-19 EXECUTIVE BUDGET TO 2015-17 ADJUSTED
APPROPRIATION AND ESTIMATED EXPENDITURES

D-3

INTEGRATED PER STUDENT PAYMENT RATES AND WEIGHTED STUDENT UNITS FOR
THE 2015-17 AND 2017-19 BIENNIUMS

D-5

ELEMENTARY AND SECONDARY EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

STATE SCHOOL AID

The 2017-19 biennium executive budget recommendation provides funding of \$2.02 billion, of which \$1.58 billion is from the general fund, \$140.0 million is from the foundation aid stabilization fund, and \$301.3 million from the state tuition fund for the state school aid program. The following schedule summarizes state school aid program funding:

	2015-17 Adjusted Legislative Appropriations (Amounts Shown in Millions)	Increase (Decrease) (Amounts Shown in Millions)	2017-19 Executive Budget (Amounts Shown in Millions)
State school aid	\$1,916.6	\$30.5	\$1,947.1
Transportation aid payments	57.0	(5.7)	51.3
Rapid enrollment grants	12.5	(12.5)	
Special education - Contracts	17.3	2.0	19.3
Total	\$2,003.4	\$14.3	\$2,017.7
General fund	\$1,668.3	(\$91.9)	\$1,576.4
Foundation aid stabilization fund	116.0	24.0	140.0
State tuition fund	219.1	82.2	301.3
Total	\$2,003.4	\$14.3	\$2,017.7

The executive budget recommendation provides integrated formula payments totaling \$1.947 billion, an increase of \$30.5 million from the integrated formula payments provided during the 2015-17 biennium. When compared to the adjusted appropriation for the 2015-17 biennium, the increase of \$30.5 million includes a decrease in funding from the general fund of \$75.7 million and increases in funding from the state tuition fund of \$82.2 million and from the foundation aid stabilization fund of \$24.0 million. In addition to state school aid, integrated formula payments include funding to reduce the amount of money school districts need to raise locally through property taxes. The executive recommendation provides that total formula payments are reduced by a 60-mill levy local property tax contribution and by 75 to 100 percent of other local revenue, the same as the 2015-17 biennium.

The executive budget recommendation for the state school aid program includes funding for the following state school aid formula changes:

- Increases integrated per student payment rates by 1 percent in the second year of the 2017-19 biennium. The current rate of \$9,646 will remain during the first year of the biennium and will increase to \$9,742 during the second year of the 2017-19 biennium;
- Increases the English language learner level I weighting factor from .33 to .40 (this increase was approved by the 2015 Legislative Assembly effective July 1, 2017); and

- Increases the English language learner level II weighting factor from .22 to .28 (this increase was approved by the 2015 Legislative Assembly effective July 1, 2017).

ONE-TIME FUNDING

The executive budget includes \$140 million from the foundation aid stabilization fund as one-time funding for state school aid. Amendments to the Constitution of North Dakota approved by voters in November 2016 require the balance in the foundation aid stabilization fund be at least 15 percent of the general fund appropriation for state aid to school districts for the most recently completed biennium. Any excess balance in the fund is available for education-related purposes.

OTHER RECOMMENDATIONS

The executive budget recommendation also provides for:

- **PowerSchool** - Provides \$5,500,000 from the general fund for PowerSchool, a decrease of \$500,000 from the 2015-17 biennium appropriation of \$6,000,000.
- **Teacher and principal evaluation system** - Provides \$175,000 from the general fund to support statewide training and implementation activities to advance the deployment of principal and teacher evaluation programs, a decrease of \$65,000 from the 2015-17 biennium appropriation of \$240,000.
- **Governor's School program** - Provides \$460,000 from the general fund for support of the Governor's School program, the same level of funding provided in the 2015-17 biennium.
- **Adult education grants** - Provides \$3,670,411 from the general fund for adult education grants, a decrease of \$440,000 from the 2015-17 biennium appropriation of \$4,110,411.
- **National writing projects** - Provides \$173,000 from the general fund for national writing projects, a decrease of \$20,000 from the 2015-17 biennium appropriation of \$193,000.
- **North Dakota Museum of Art** - Provides \$391,500 from the general fund for support of the North Dakota Museum of Art educational outreach initiative, a decrease of \$43,500 from the 2015-17 biennium appropriation of \$435,000.
- **Teacher center network** - Removes funding from the general fund for the teacher center network, a decrease of \$360,000 from the 2015-17 biennium appropriation of \$360,000.

- **North Dakota LEAD Center** - Provides \$240,750 from the general fund for support of the North Dakota LEAD Center, a decrease of \$26,750 from the 2015-17 biennium appropriation of \$267,500.
- **North Central Council for School Television** - Removes funding from the general fund for support of the North Central Council for School Television, a decrease of \$535,000 from the 2015-17 biennium appropriation of \$535,000.
- **Mentorship grant program** - Removes funding from the general fund for a teacher, principal, and instructional coach mentoring program, a decrease of \$2,700,000 from the 2015-17 biennium appropriation of \$2,700,000.
- **Continuing education grants** - Provides \$125,000 from the general fund for continuing education grants, a decrease of \$25,000 from the 2015-17 biennium appropriation of \$150,000.
- **Global Bridges (Atlantik-Brücke) exchange program** - Removes funding from the general fund for a professional exchange program, a decrease of \$250,000 from the 2015-17 biennium appropriation of \$250,000.
- **North Dakota young entrepreneur education program** - Provides \$100,000 from the general fund for a business education program, the same level of funding provided in the 2015-17 biennium.
- **"We the People" program** - Provides \$20,000 from the general fund for a government education program, a decrease of \$5,000 from the 2015-17 biennium appropriation of \$25,000.
- **National board certification** - Provides \$120,000 from the general fund for teacher stipends and assessment fees for national board certification, the same level of funding provided in the 2015-17 biennium.
- **Curriculum alignment grant program** - Provides \$80,000 from the general fund for a program to improve the alignment of language arts between high schools and institutions of higher education, a decrease of \$20,000 from the 2015-17 biennium appropriation of \$100,000.
- **Preschool continuing education grants program** - Provides \$150,000 from the general fund for continuing education grants for preschool teachers, the same level of funding provided in the 2015-17 biennium.
- **Prekindergarten space grant program** - Provides \$125,000 from the general fund for grants of up to \$5,000 per classroom to assist schools in making safety compliant space available for licensed prekindergarten programs, the same level of funding provided in the 2015-17 biennium.
- **Pathfinders Parent Project** - Provides \$120,000 from the general fund for a grant to the Pathfinders Parent Project to assist parents of children requiring an individualized education, the same level of funding provided in the 2015-17 biennium.
- **Gearing Up for Kindergarten** - Provides \$550,000 from the general fund for the Gearing Up for Kindergarten program provided by the North Dakota State University Extension Service, a decrease of \$125,000 from the 2015-17 biennium appropriation of \$675,000.
- **Free breakfast program** - Provides \$205,000 from the general fund to provide free breakfast to students eligible for reduced meals, the same level of funding provided in the 2015-17 biennium.
- **English language learner grants** - Removes funding from the general fund to provide grants to the four school districts that serve the largest number of first and second level English language learners in K-12, a decrease of \$1,000,000 from the 2015-17 biennium appropriation of \$1,000,000.
- **Medicaid matching grants** - Removes funding from the general fund to provide for the Medicaid matching requirements of school districts related to increased medical assistance payment rates for physical, occupational, and speech therapy services, a decrease of \$163,611 from the adjusted 2015-17 biennium appropriation of \$163,611.

**STATE SCHOOL AID, OTHER GRANTS, AND DEPARTMENT OF PUBLIC INSTRUCTION ADMINISTRATION
COMPARISON OF 2017-19 BIENNIUM EXECUTIVE BUDGET TO
2015-17 ADJUSTED APPROPRIATION AND ESTIMATED EXPENDITURES**

	2015-17 Adjusted Appropriation	2015-17 Estimated Expenditures	2017-19 Executive Budget	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Estimated Expenditures	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Adjusted Appropriation
State school aid program					
State school aid - Integrated formula payments	\$1,916,640,000 ¹	\$1,883,640,000	\$1,947,120,547	\$63,480,547	\$30,480,547
Transportation aid payments	57,000,000 ^{1,2}	57,000,000	51,300,000	(5,700,000)	(5,700,000)
Rapid enrollment grants	12,504,530 ^{1,3}	11,504,530		(11,504,530)	(12,504,530)
Special education - Contracts	17,300,000 ¹	17,300,000	19,300,000	2,000,000	2,000,000
Total - State school aid program	\$2,003,444,530	\$1,969,444,530	\$2,017,720,547	\$48,276,017	\$14,276,017
General fund	\$1,668,257,237 ¹	\$1,634,257,237	\$1,576,456,547	(\$57,800,690)	(\$91,800,690)
Foundation aid stabilization fund	116,053,293 ¹	116,053,293	140,000,000	23,946,707	23,946,707
State tuition fund	219,134,000	219,134,000	301,264,000	82,130,000	82,130,000
Total	\$2,003,444,530	\$1,969,444,530	\$2,017,720,547	\$48,276,017	\$14,276,017
Other grants - General fund					
Teacher center network	\$360,000	\$360,000		(\$360,000)	(\$360,000)
School food services	1,380,000	1,380,000	\$1,380,000	0	0
Adult education grants	4,110,411	4,110,411	3,670,411	(440,000)	(440,000)
North Dakota LEAD Center	267,500	267,500	240,750	(26,750)	(26,750)
Governor's School program	460,000	460,000	460,000	0	0
National writing projects	193,000	193,000	173,000	(20,000)	(20,000)
Rural art outreach project	435,000	435,000	391,500	(43,500)	(43,500)
North Central Council for School Television	535,000	535,000		(535,000)	(535,000)
Mentoring program	2,700,000	2,700,000		(2,700,000)	(2,700,000)
Continuing education grants	150,000	150,000	125,000	(25,000)	(25,000)
Global Bridges (Atlantik-Brucke) exchange	250,000	250,000		(250,000)	(250,000)
Young entrepreneur education program	100,000	100,000	100,000	0	0
"We the People" program	25,000	25,000	20,000	(5,000)	(5,000)
Teacher and principal evaluation system	240,000	230,000	175,000	(55,000)	(65,000)
Curriculum alignment grants	100,000	20,000	80,000	60,000	(20,000)
Preschool continuing education grants	150,000	150,000	150,000	0	0
Prekindergarten space grants	125,000	125,000	125,000	0	0
Gearing Up for Kindergarten	675,000	675,000	550,000	(125,000)	(125,000)
Pathfinders Parent Project	120,000	120,000	120,000	0	0
School district safety grants				0	0
Cardiopulmonary resuscitation (CPR) grants	165,500 ³	50,000		(50,000)	(165,500)
Free breakfast program	205,000	205,000	205,000	0	0
English language learner grants	1,000,000	900,000		(900,000)	(1,000,000)
PowerSchool	6,000,000	5,000,000	5,500,000	500,000	(500,000)
Civics education grant				0	0
Medicaid matching grants	163,611 ³	163,611		(163,611)	(163,611)
National board certification	120,000	120,000	120,000	0	0
Total - Other grants - General fund	\$20,030,022	\$18,724,522	\$13,585,661	(\$5,138,861)	(\$6,444,361)

Other grants - Other funds

	2015-17 Adjusted Appropriation	2015-17 Estimated Expenditures	2017-19 Executive Budget	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Estimated Expenditures	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Adjusted Appropriation
Federal grants	\$253,837,705	\$253,837,705	\$253,837,705	\$0	\$0
Displaced homemaker program	225,000	225,000	225,000	0	0
Total - Other grants - Other funds	\$254,062,705	\$254,062,705	\$254,062,705	\$0	\$0
Total state school aid and other grants - All funds	\$2,277,537,257	\$2,242,231,757	\$2,285,368,913	\$43,137,156	\$7,831,656
Agency administration					
Administration - General fund	\$13,421,310 ³	\$13,421,310	\$12,881,552	(\$539,758)	(\$539,758)
Administration - Other funds	35,435,768	35,435,768	35,743,848	308,080	308,080
Total - Agency administration - All funds	\$48,857,078	\$48,857,078	\$48,625,400	(\$231,678)	(\$231,678)
Total Department of Public Instruction - All funds	\$2,326,394,335	\$2,291,088,835	\$2,333,994,313	\$42,905,478	\$7,599,978
General fund	\$1,701,708,569	\$1,666,403,069	\$1,602,923,760	(\$63,479,309)	(\$98,784,809)
General fund - Insufficient authority in executive budget			(441,269)	(441,269)	(441,269)
Total - General fund (executive recommendation)	\$1,701,708,569	\$1,666,403,069	\$1,602,482,491	(\$63,920,578)	(\$99,226,078)
Other funds	624,685,766	624,685,766	731,070,553	106,384,787	106,384,787
Other funds - Excess authority in executive budget			441,269	441,269	441,269
Total - Other funds (executive recommendation)	\$624,685,766	\$624,685,766	\$731,511,822	\$106,826,056	\$106,826,056
Total	\$2,326,394,335	\$2,291,088,835	\$2,333,994,313	\$42,905,478	\$7,599,978
FTE positions	99.75	99.75	97.75	(2.00)	(2.00)

¹ Due to budget reductions approved by the Legislative Assembly in August 2016, the Superintendent of Public Instruction reduced funding from the general fund for rapid enrollment grants by \$2,295,470. Reductions in funding from the general fund for state school aid - integrated payments, transportation aid payments, and special education - contracts were offset by transfers from the foundation aid stabilization fund totaling \$116,053,293.

² In addition to \$57 million provided from the general fund for transportation aid during the 2015-17 biennium in Senate Bill No. 2013, the Legislative Assembly provided, in Section 13 of Senate Bill No. 2015, that if any funding appropriated to the Superintendent of Public Instruction for integrated formula payments to school districts remains after the Superintendent complies with all statutory payment obligations imposed for the 2015-17 biennium, the Superintendent must provide up to \$3 million of the funds remaining for additional transportation grants. The Superintendent must prorate the available funding according to the percentage of the total transportation formula amount to which each school district is entitled.

³ The Legislative Assembly provided funding made available from the general fund for rapid enrollment grants (\$14.8 million), CPR training grants (\$450,000), and a civics education grant (\$200,000) are one-time funding items. These one-time funding items were reduced due to the budget reductions approved by the Legislative Assembly in August 2016. In addition to these reductions, the Superintendent reduced ongoing funding for Medicaid matching grants and operating expenses.

⁴ The Legislative Assembly, in Section 12 of Senate Bill No. 2013, provided the amount appropriated for school district safety grants in Section 1 of Chapter 59 of the 2013 Session Laws is not subject to North Dakota Century Code Section 54-44.1-11 and any unexpended funds are available for school district safety grants during the 2015-17 biennium. The Superintendent continued \$849,130 from the 2013-15 biennium for school district safety grants during the 2015-17 biennium.

**INTEGRATED PER STUDENT PAYMENT RATES AND WEIGHTED STUDENT UNITS
FOR THE 2015-17 AND 2017-19 BIENNIUMS**

	2015-17 Legislative Appropriation	2015-17 Actual	2017-19 Executive Budget
First-year integrated per student payment rates	\$9,365	\$9,365	\$9,646 ¹
Second-year integrated per student payment rates	\$9,646	\$9,646	\$9,742 ¹
Weighted student units			
First year	122,907	122,189	126,002
Second year	126,411	124,190 ²	127,914

¹The 2017-19 executive recommendation continues to include funding for a base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. Integrated formula payments provide both adequacy-based funding for K-12 education and property tax relief.

²Estimated.

SECTION E - HIGHER EDUCATION

SUMMARY OF KEY RECOMMENDATIONS

E-1

FULL-TIME EQUIVALENT STUDENT ENROLLMENTS

E-3

TUITION RATES

E-4

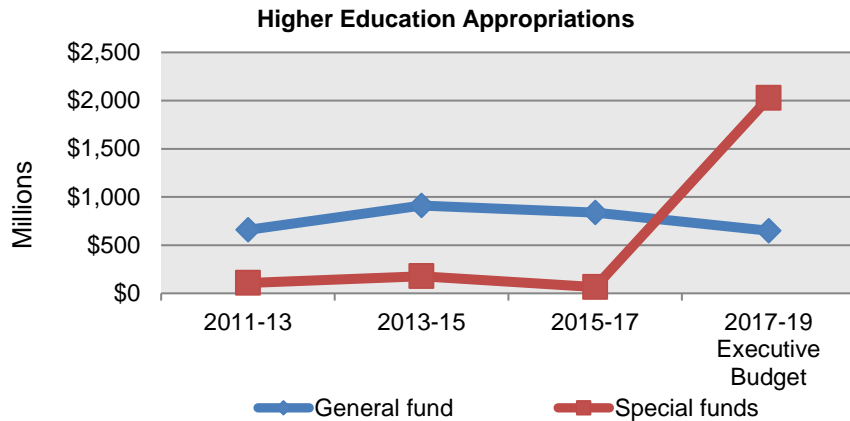
HIGHER EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

The 2017-19 executive budget recommends the following higher education funding changes compared to 2015-17 adjusted appropriations for higher education:

- Decrease **general fund** support by \$187,912,722 as follows:

	2015-17 Adjusted Appropriations	2017-19 Executive Recommendation	Increase (Decrease)	
Ongoing general fund appropriations	\$681,876,059	\$649,936,490	(\$31,939,569)	(4.7%)
One-time general fund appropriations	155,973,153	0	(155,973,153)	(100.0%)
Total	\$837,849,212	\$649,936,490	(\$187,912,722)	(22.4%)

- Increase appropriations from **special funds** by \$1,960,393,865, or 3,015.6 percent. The increase relates primarily to the executive budget recognizing total special fund appropriations for higher education institutions. Previously, higher education special funds were only specifically appropriated for certain items, such as capital projects. Other special funds were spent pursuant to continuing appropriations.
- Increase the authorized number of **full-time equivalent (FTE) positions** from 2,430.35 to 6,766.76, an increase of 4,336.41. The increase relates primarily to the executive budget recognizing FTE positions supported from special funds. Previously, the Legislative Assembly only authorized FTE positions supported by the general fund.



Biennium	General Fund	Special Funds	Total
2011-13	\$657,838,539	\$108,817,759	\$766,656,298
2013-15	\$910,632,494	\$177,980,941	\$1,088,613,435
2015-17 - Adjusted	\$837,849,212	\$65,009,410	\$902,858,622
2017-19 - Executive budget	\$649,936,490	\$2,025,403,275	\$2,675,339,765

Key recommendations include:

- Decreases base funding for campuses by \$23.6 million, including:
 - \$14.0 million decrease from the adjusted 2015-17 appropriations to provide for for a 90 percent base budget as compared to 2015-17 original appropriations;
 - \$31.4 million decrease for an additional 5 percent base budget reduction;
 - \$11.9 million increase relating to the student credit-hour funding formula to adjust the base budget to 2013-15 actual completed student credit-hour levels;
 - \$7.5 million increase for an **inflationary adjustment** for each institution to provide funding for cost-to-continue items, operating inflation, salary increases, and health insurance increases; and
 - \$2.4 million increase to maintain the funding formula hold-harmless clause.
- Reduces the number of **FTE positions** supported by the general fund by 315.27, from 2,430.35 to 2,115.08.
- Provides no **one-time general fund appropriations**.
- Provides \$21.92 million from the general fund for the **student financial assistance grant program**. This represents a decrease of \$1.97 million from the 2015-17 biennium adjusted appropriation of \$23.89 million.
- Appropriates one-time funding of \$3 million from the strategic investment and improvements fund for the **higher education challenge fund** to provide matching grants for academic enhancements to North Dakota University System institutions.
- Provides \$902,500, including \$402,500 from the general fund and \$500,000 from the student loan trust fund, for **tribal community college grants**. This represents a decrease of \$64,750 of funding as compared to the 2015-17 biennium adjusted appropriation of \$967,250, including \$467,250 from the general fund and \$500,000 from the student loan trust fund.
- Provides \$12.0 million from the general fund for the **career and technical education and academic scholarship program**. This represents a decrease of \$1.1 million of funding as compared to the 2015-17 biennium general fund appropriation of \$13.1 million.
- Provides a **system information technology services pool** of \$61,769,818, of which \$38,254,697 is from the general fund and \$23,515,121 is from other funds, is provided for support of the ConnectND system; Higher Education Computer Network; Advanced

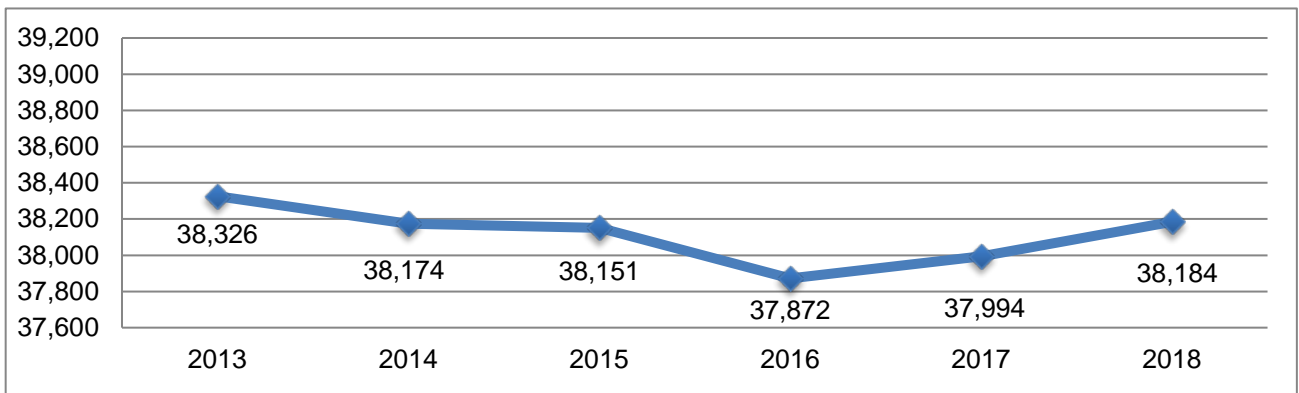
Learning Technologies, including the Interactive Video Network; the Online Dakota Information Network; and other related technology initiatives. This level of funding represents an increase of \$17.7 million from the 2015-17 biennium adjusted appropriation of \$44,053,493. Of the \$17.7 million increase, there is a \$5.3 million decrease in general funds and a \$23.0 million increase in other funds.

9. Provides \$183,781,132 for **capital assets**, including:

	General Fund	Special Funds	Total
Major capital projects	\$0	\$165,975,500	\$165,975,500
Capital construction lease payments	6,605,326	0	6,605,326
Base campus extraordinary repairs	11,144,058	0	11,144,058
Forest Service equipment over \$5,000	56,248	0	56,248
Total	\$17,805,632	\$165,975,500	\$183,781,132

Please refer to the schedules under the **CAPITAL CONSTRUCTION** section for additional information regarding capital improvements. The recommendation for major capital projects funding includes \$25.5 million from the strategic investment and improvements fund for the Valley City State University Fine Arts building project and includes authorization for North Dakota State University to issue \$49.5 million of revenue bonds for residence hall projects.

INSTITUTIONS OF HIGHER EDUCATION FULL-TIME EQUIVALENT STUDENT ENROLLMENTS¹



Institution	Actual Enrollments				Projected Enrollments	
	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
Bismarck State College	2,955	2,909	2,912	2,860	2,860	2,900
Dakota College at Bottineau	502	518	459	490	510	530
Dickinson State University	1,201	1,176	1,070	1,114	1,181	1,240
Lake Region State College	943	978	981	971	950	950
Mayville State University	749	798	796	782	782	782
Minot State University	2,710	2,600	2,570	2,592	2,592	2,592
North Dakota State University	12,797	12,934	12,834	12,783	12,810	12,835
North Dakota State College of Science	2,295	2,272	2,305	2,298	2,317	2,339
University of North Dakota	12,606	12,420	12,455	12,182	12,182	12,182
Valley City State University	975	990	1,031	1,044	1,054	1,060
Williston State College	593	579	738	756	756	774
Total	38,326	38,174	38,151	37,872	37,994	38,184

¹State Board of Higher Education policy provides that a full-time equivalent (FTE) undergraduate student is equal to 15 undergraduate student credit-hours completed per semester. The policy also provides that a graduate FTE student is equal to 12 graduate level student credit-hours completed per semester and a professional student is counted as one FTE student. The information presented in this schedule for the fall 2013 through fall 2016 semesters was provided by the North Dakota University System office. The estimates for the fall 2017 and fall 2018 semesters were provided by representatives of University System institutions.

HIGHER EDUCATION - TUITION RATES

The following is a schedule of tuition and fee rates at state institutions of higher education for the academic years 2013-14 through 2016-17. The 2001 Legislative Assembly removed tuition income from the appropriation process by providing a continuing appropriation for all special funds, including tuition. House Bill No. 1003 (2015) continues this authority through June 30, 2017. The State Board of Higher Education has the statutory responsibility for setting tuition rates.

Institution	2013-14	2014-15	2015-16	2016-17
Bismarck State College ¹				
Undergraduate				
Resident	\$3,431 2.0%	\$3,510 2.3%	\$3,577 1.9%	\$3,645 1.9%
Minnesota resident ²	\$3,843 (19.8%)	\$3,931 2.3%	\$4,006 1.9%	\$4,082 1.9%
Contiguous state/province ³	\$4,289 2.0%	\$4,388 2.3%	\$4,471 1.9%	\$4,556 1.9%
Other nonresident	\$9,162 2.0%	\$9,372 2.3%	\$9,550 1.9%	\$9,731 1.9%
Dakota College at Bottineau				
Undergraduate				
Resident	\$3,223 3.3%	\$3,301 2.4%	\$3,384 2.5%	\$3,469 2.5%
Minnesota resident ²	\$3,610 (24.7%)	\$3,697 2.4%	\$3,790 2.5%	\$3,885 2.5%
South Dakota and Montana residents	\$4,028 3.3%	\$4,126 2.4%	\$4,230 2.5%	\$4,336 2.5%
All Canadian provinces ⁴	\$3,223 3.3%	\$3,301 2.4%	\$3,384 2.5%	\$3,469 2.5%
Other nonresident	\$4,834 3.3%	\$4,951 2.4%	\$5,075 2.5%	\$5,203 2.5%
Dickinson State University				
Undergraduate				
Resident	\$4,704 4.0%	\$4,891 4.0%	\$5,013 2.5%	\$5,138 2.5%
Minnesota resident ²	\$5,268 4.8%	\$5,478 4.0%	\$5,616 2.5%	\$5,755 2.5%
Contiguous state/province ³	\$5,880 4.0%	\$6,113 4.0%	\$6,267 2.5%	\$6,423 2.5%
Other nonresident ⁵	\$7,055 4.0%	\$7,336 4.0%	\$7,520 2.5%	\$7,707 2.5%
Lake Region State College ⁶				
Undergraduate				
Resident	\$3,130 2.1%	\$3,197 2.1%	\$3,261 2.0%	\$3,326 2.0%
Minnesota resident ²	\$3,130 2.1%	\$3,197 2.1%	\$3,652 14.2%	\$3,326 (8.9%)
Contiguous state/province ³	\$3,130 2.1%	\$3,197 2.1%	\$3,261 2.0%	\$3,326 2.0%

Institution	2013-14	2014-15	2015-16	2016-17
Other nonresident	\$3,130 2.1%	\$3,197 2.1%	\$3,261 2.0%	\$3,326 2.0%
International students	\$7,826 2.1%	\$7,993 2.1%	\$8,152 2.0%	\$8,316 2.0%
Mayville State University				
Undergraduate				
Resident	\$4,644 3.6%	\$4,810 3.6%	\$4,930 2.5%	\$5,053 2.5%
Minnesota resident ²	\$5,201 4.4%	\$5,387 3.6%	\$5,522 2.5%	\$5,660 2.5%
Contiguous state/province ³	\$5,805 3.6%	\$6,012 3.6%	\$6,163 2.5%	\$6,317 2.5%
All Canadian provinces except Saskatchewan and Manitoba	\$6,966 3.6%	\$7,215 3.6%	\$7,395 2.5%	\$7,580 2.5%
Other nonresident	\$6,966 3.6%	\$7,215 3.6%	\$7,395 2.5%	\$7,580 2.5%
International students	\$12,400 3.6%	\$12,842 3.6%	\$13,164 2.5%	\$13,492 2.5%
Minot State University ⁷				
Undergraduate				
Resident	\$4,821 2.5%	\$4,942 2.5%	\$5,066 2.5%	\$5,193 2.5%
Minnesota resident ²	\$4,821 2.5%	\$4,942 2.5%	\$5,066 2.5%	\$5,193 2.5%
Contiguous state/province ³	\$4,821 2.5%	\$4,942 2.5%	\$5,066 2.5%	\$5,193 2.5%
Other nonresident	\$4,821 2.5%	\$4,942 2.5%	\$5,066 2.5%	\$5,193 2.5%
Graduate				
Resident	\$6,376 2.5%	\$6,535 2.5%	\$6,698 2.5%	\$6,865 2.5%
Minnesota resident ²	\$6,376 2.5%	\$6,535 2.5%	\$6,698 2.5%	\$6,865 2.5%
Contiguous state/province ³	\$6,376 2.5%	\$6,535 2.5%	\$6,698 2.5%	\$6,865 2.5%
Other nonresident	\$6,376 2.5%	\$6,535 2.5%	\$6,698 2.5%	\$6,865 2.5%
North Dakota State University				
Undergraduate (basic rate) ⁸				
Resident	\$6,336 3.3%	\$6,604 4.2%	\$6,762 2.4%	\$6,924 2.4%
Minnesota resident ²	\$7,097 5.8%	\$7,396 4.2%	\$7,574 2.4%	\$7,755 2.4%
Contiguous state/province ³	\$9,504 3.3%	\$9,906 4.2%	\$10,144 2.4%	\$10,386 2.4%

Institution	2013-14	2014-15	2015-16	2016-17
Other nonresident	\$16,918 3.3%	\$17,633 4.2%	\$18,056 2.4%	\$18,488 2.4%
Graduate (basic rate) ⁸				
Resident	\$6,796 3.3%	\$7,083 4.2%	\$7,253 2.4%	\$7,427 2.4%
Minnesota resident ²	\$8,631 5.9%	\$8,996 4.2%	\$9,212 2.4%	\$9,432 2.4%
Contiguous state/province ³	\$10,194 3.3%	\$10,625 4.2%	\$10,879 2.4%	\$11,141 2.4%
Other nonresident	\$18,145 3.3%	\$18,913 4.2%	\$19,365 2.4%	\$19,830 2.4%
North Dakota State College of Science ^{9,10}				
Undergraduate				
Resident	\$3,478 3.3%	\$3,592 3.3%	\$3,682 2.5%	\$3,774 2.5%
Minnesota resident ²	\$3,895 (18.7%)	\$4,023 3.3%	\$4,124 2.5%	\$4,226 2.5%
Contiguous state/province ³	\$4,347 3.3%	\$4,490 3.3%	\$4,602 2.5%	\$4,717 2.5%
Other nonresident	\$9,286 3.3%	\$9,591 3.3%	\$9,830 2.5%	\$10,076 2.5%
Business and industry partnership program ¹¹				
Resident	\$3,478 3.3%	\$3,592 3.3%	\$3,682 2.5%	\$3,774 2.5%
Minnesota resident ²	\$3,895 (18.7%)	\$4,023 3.3%	\$4,124 2.5%	\$4,226 2.5%
Contiguous state/province ³	\$3,478 3.3%	\$3,592 3.3%	\$3,682 2.5%	\$3,774 2.5%
Other nonresident	\$3,478 3.3%	\$3,592 3.3%	\$3,682 2.5%	\$3,774 2.5%
University of North Dakota				
Undergraduate				
Resident	\$6,159 3.7%	\$6,388 3.7%	\$6,548 2.5%	\$6,679 2.0%
Minnesota resident ²	\$6,898 2.8%	\$7,155 3.7%	\$7,334 2.5%	\$7,480 2.0%
Contiguous state/province ³	\$9,238 3.7%	\$9,582 3.7%	\$9,822 2.5%	\$10,018 2.0%
Other nonresident	\$16,444 3.7%	\$17,056 3.7%	\$17,482 2.5%	\$17,833 2.0%
Graduate				
Resident	\$6,626 3.7%	\$6,872 3.7%	\$7,044 2.5%	\$7,185 2.0%

Institution	2013-14	2014-15	2015-16	2016-17
Minnesota resident ²	\$8,415 3.2%	\$8,728 3.7%	\$8,946 2.5%	\$9,125 2.0%
Contiguous state/province ³	\$9,938 3.7%	\$10,309 3.7%	\$10,566 2.5%	\$10,777 2.0%
Other nonresident	\$17,690 3.7%	\$18,350 3.7%	\$18,807 2.5%	\$19,184 2.0%
School of Law ¹²				
Resident	\$7,439 3.7%	\$7,715 3.7%	\$7,908 2.5%	\$8,106 2.5%
Minnesota resident ²	\$11,158 3.7%	\$11,573 3.7%	\$11,862 2.5%	\$12,159 2.5%
Contiguous state/province ³	\$11,158 3.7%	\$11,573 3.7%	\$11,862 2.5%	\$12,159 2.5%
Other nonresident	\$19,862 3.7%	\$20,601 3.7%	\$21,116 2.5%	\$21,644 2.5%
School of Medicine and Health Sciences				
Resident	\$26,283 3.7%	\$27,261 3.7%	\$28,079 3.0%	\$28,781 2.5%
Minnesota resident ²	\$28,911 3.7%	\$29,986 3.7%	\$30,886 3.0%	\$31,658 2.5%
Other nonresident	\$48,649 3.7%	\$50,459 3.7%	\$51,973 3.0%	\$53,272 2.5%
Physical therapy ¹³				
Resident	\$12,148 3.7%	\$12,600 3.7%	\$12,978 3.0%	\$13,302 2.5%
Minnesota resident ²	\$12,148 3.7%	\$12,600 3.7%	\$12,978 3.0%	\$13,302 2.5%
Contiguous state/province ³	\$16,807 3.7%	\$17,432 3.7%	\$17,955 3.0%	\$18,404 2.5%
Other nonresident	\$16,807 3.7%	\$17,432 3.7%	\$17,955 3.0%	\$18,404 2.5%
Valley City State University ¹⁴				
Undergraduate				
Resident	\$4,839 3.9%	\$5,027 3.9%	\$5,153 2.5%	\$5,282 2.5%
Minnesota resident ²	\$5,419 4.7%	\$5,631 3.9%	\$5,772 2.5%	\$5,916 2.5%
Contiguous state/province ³	\$6,048 3.9%	\$6,284 3.9%	\$6,441 2.5%	\$6,602 2.5%
Other nonresident	\$12,919 3.9%	\$13,423 3.9%	\$13,759 2.5%	\$14,103 2.5%
Graduate				
Resident	\$6,437 3.9%	\$6,688 3.9%	\$6,855 2.5%	\$7,026 2.5%

Institution	2013-14	2014-15	2015-16	2016-17
Minnesota resident ²	\$6,437 3.9%	\$6,688 3.9%	\$6,855 2.5%	\$7,026 2.5%
Contiguous state/province ³	\$6,437 3.9%	\$6,688 3.9%	\$6,855 2.5%	\$7,026 2.5%
Other nonresident	\$6,437 3.9%	\$6,688 3.9%	\$6,855 2.5%	\$7,026 2.5%
Williston State College ¹⁵ Undergraduate Resident	\$3,020 0.0%	\$3,235 7.1%	\$3,316 2.5%	\$3,399 2.5%
Minnesota resident ²	\$3,383 12.0%	\$3,623 7.1%	\$3,714 2.5%	\$3,807 2.5%
Contiguous state/province ³	\$3,020 0.0%	\$3,235 7.1%	\$3,316 2.5%	\$3,399 2.5%
Other nonresident	\$3,020 0.0%	\$3,235 7.1%	\$3,316 2.5%	\$3,399 2.5%
International	\$4,080 0.0%	\$4,370 7.1%	\$4,479 2.5%	\$4,591 2.5%

¹Bismarck State College implemented a per-credit tuition model beginning in the 2000-01 academic year. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student.

²Under the North Dakota/Minnesota reciprocity agreement, students pay the higher of the two states' rates, which allows North Dakota students attending Minnesota higher education institutions to pay the Minnesota resident rate while Minnesota students attending North Dakota higher education institutions generally pay the Minnesota rate, which is higher than the North Dakota rate. Beginning with the 2006-07 academic year, the University of North Dakota School of Law and School of Medicine and Health Sciences are removed from the reciprocity agreement. The university is allowed to establish its own tuition rates for Minnesota residents for these programs. Beginning with the 2009-10 academic year, the reciprocity agreement was revised to allow Lake Region State College, Minot State University, and Williston State College to charge Minnesota students the North Dakota resident tuition rate rather than the rate specified under the agreement. Beginning with the 2013-14 academic year, the reciprocity agreement was revised to charge Minnesota students attending North Dakota University System institutions 112 percent of resident undergraduate tuition rates and 127 percent of resident graduate tuition rates, with provisions to increase those rates to 115 percent and 130 percent in the future.

³The contiguous states and provinces are South Dakota, Montana, Saskatchewan, and Manitoba.

⁴Beginning with the 2002-03 academic year, Dakota College at Bottineau charges resident tuition rates to students from all Canadian provinces.

⁵Beginning with the 2012-13 academic year, the nonresident tuition rate at Dickinson State University is 150 percent of the resident tuition rate rather than 267 percent.

⁶Beginning with the 2009-10 academic year, Lake Region State College charges resident tuition rates to all students except international students.

⁷Beginning with the 2009-10 academic year, Minot State University charges resident tuition rates to all students.

⁸Beginning with the 2012-13 academic year, North Dakota State University charges a differentiated tuition rate for certain programs that combines tuition and program fees. The amounts shown reflect the basic undergraduate and graduate tuition rates.

⁹Beginning with the 2002-03 academic year, the North Dakota State College of Science is offering special reduced tuition rates to contiguous state/province and other nonresident students who live on campus with a meal plan. The following is a summary of the special reduced tuition rates:

	2013-14	2014-15	2015-16	2016-17
Undergraduate				
Contiguous state/province	\$3,478	\$3,592	\$3,682	\$3,774
Other nonresidents	\$3,478	\$3,592	\$3,682	\$3,774

- ¹⁰The North Dakota State College of Science implemented a per-credit tuition model beginning in the 2004-05 academic year. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student.
- ¹¹Beginning with the 2001-02 academic year, the North Dakota State College of Science charges resident tuition rates to students who are enrolled in a business and industry partnership program except for students from Minnesota who are assessed tuition as specified in the reciprocity agreement between North Dakota and Minnesota.
- ¹²The University of North Dakota School of Law implemented a per-credit tuition model beginning in the 2008-09 academic year. The institution charges a per-credit (part-time) tuition rate for all credit-hours. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time law student.
- ¹³Physical therapy students pay undergraduate tuition rates during the first 2 years. In the students' junior year, students enter the physical therapy program and start paying tuition based on the physical therapy program tuition rates.
- ¹⁴Valley City State University implemented a per-credit tuition model beginning in the 2005-06 academic year. The undergraduate tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student. The graduate tuition rates shown are based on a credit load of 12 credit-hours per semester, which is the number of credit-hours taken by an average full-time graduate student. Beginning with the 2010-11 academic year, Valley City State University charges the same online tuition rate to all graduate students.
- ¹⁵Williston State College implemented a per-credit tuition model beginning in the 2002-03 academic year. From the 2002-03 through the 2010-11 academic years, the institution charged a per-credit (part-time) tuition rate for all credit-hours except for the 14th, 15th, and 16th credits, which are at no charge. Beginning with the 2011-12 academic year, the institution charges students for all credits taken except the 15th and 16th credits. Beginning with the 2012-13 academic year, the institution charges students for all credits taken except the 16th credit. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student. Beginning with the 2009-10 academic year, Williston State College charges all students the resident tuition rate except for international students. International students were charged the resident tuition rate during the 2009-10 and 2010-11 academic years and began to be charged an international student tuition rate beginning with the 2011-12 academic year.

SECTION F - HUMAN SERVICES

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DEPARTMENT OF HUMAN SERVICES - SUMMARY OF KEY RECOMMENDATIONS

DEPARTMENTWIDE

- Provides a total general fund appropriation of \$1,604.9 million, \$236.7 million, or 25.6 percent, more than the \$1,278.2 million adjusted 2015-17 biennium general fund appropriations.
- Adds \$17.1 million from the general fund for additional state matching funds required due to changes in the state's **federal medical assistance percentage** (FMAP). The federal matching for Medicaid Expansion is 95 percent beginning January 2017, and 94 percent beginning January 2018.

The FMAP determines the federal and state share of Medicaid expenditures. The schedule below presents recent and projected FMAPs for North Dakota.

Federal Fiscal Year	North Dakota's FMAP	North Dakota's Enhanced FMAP
2008	63.75	N/A
2009	63.15	69.95
2010	63.01	69.95
2011	60.35 (fourth quarter)	69.95 (first quarter) 66.95 (second quarter) 64.95 (third quarter)
2012	55.40 (actual)	N/A
2013	52.27 (actual)	N/A
2014	50.00 (actual)	N/A
2015	50.00 (actual)	N/A
2016	50.00 (actual)	N/A
2017	50.00 (actual)	N/A
2018	50.00 (estimate)	N/A
2019	50.00 (estimate)	N/A

- Provides \$130.5 million from the general fund for cost to continue, and anticipated cost, caseload, and utilization changes in the department's budget compared to adjusted 2015-17 appropriations.
- Provides a reduction of \$72.3 million as part of the department's savings plan, of which \$57.1 million is reduced from the general fund.
- Provides \$12.2 million, of which \$3.5 million is from the general fund, for a 1 percent **inflationary increase** for human service providers in the second year of the biennium.
- Transfers \$275 million from the general fund to a newly **created social services property tax fund** for the state to take over expenses of certain county social services programs which will result in reduced property tax levies.

- Imposes a 5 percent provider assessment on nursing facilities, with the \$42.7 million of estimated revenue from the assessment being used for long-term care programs. The budget includes \$45.4 million, \$22.7 million of which is from the general fund, for reimbursements to nursing facilities for the assessment.
- Reduces salaries and wages by \$5,278,396 from the general fund in anticipation of savings from **vacant positions and employee turnover**.
- Provides \$40.8 million of federal funds for improvements to the health information technology (HIT) - care coordination project to increase data sharing and interoperability for North Dakota health care providers and citizens.
- Provides \$3 million of other funds, from federal bonus funds, for development of a certification and licensing system for child care.

PROGRAM AND POLICY

Medical Services

- Provides \$1,133.9 million for **medical services**, of which \$303.8 million is from the general fund, a decrease in total of \$118.5 million, or 9 percent, compared to the adjusted 2015-17 biennium funding of \$1,252.4 million. The funding includes:
 - \$389.2 million, of which \$30.4 million is from the general fund, for **Medicaid Expansion**, a decrease of \$152.6 million, compared to the 2015-17 biennium appropriation of \$541.8 million.
 - \$1.3 million for **physical, occupational, and speech therapy rate increases**, of which \$700,000 is from the general fund.
 - \$367,294 for **increasing the age for autism waiver through 11 years old**, of which \$183,647 is from the general fund.
 - \$3.6 million for **opioid treatment**, of which \$1.8 million is from the general fund.
 - A reduction of \$3.6 million, for **Part B premiums** for dual eligible and certain other Medicaid beneficiaries in calendar year 2017, of which \$1.7 million is from the general fund.

Long-Term Care

- Provides \$732.0 million for **long-term care**, of which \$336.4 million is from the general fund, an increase in total of \$96.6 million, or 15.2 percent, compared to the adjusted 2015-17 biennium appropriation of \$635.4 million. The funding includes:

\$595.0 million for **nursing facility care**, of which \$257.3 million is from the general fund, an increase in total of \$84.5 million, or 17 percent, compared to the 2015-17 biennium appropriation of \$510.4 million.

\$41.8 million for **basic care**, of which \$24.5 million is from the general fund, an increase in total of \$7.2 million, or 21 percent, compared to the 2015-17 biennium appropriation of \$34.6 million.

\$1.1 million for **sustainability of Money Follows the Person**, of which \$500,000 million is from the nursing facility provider assessment revenue.

\$367,294 for **increasing the age for autism waiver through 11 years old**, of which \$183,647 is from the general fund.

Aging Services

- Provides \$23.1 million for **aging services**, of which \$8.3 million is from the general fund, an increase in total of \$2.1 million, or 10 percent, compared to the adjusted 2015-17 biennium appropriation of \$21.0 million.

Behavioral Health Services

- Provides \$25.6 million for behavioral health services, of which \$10.6 million is from the general fund, an increase in total of \$7.4 million, or 40 percent, compared to the adjusted 2015-17 biennium appropriation of \$18.2 million. The funding includes \$3.7 million of other funds for **Strategic Prevention Framework Partnership for Success**.

Developmental Disabilities

- Provides \$621.8 million for developmental disabilities (DD), of which \$306.7 million is from the general fund, an increase in total of \$57.1 million, or 10 percent, compared to the adjusted 2015-17 biennium appropriation of \$564.7 million. The funding includes:

\$610.9 million for **DD services grants**, of which \$300.9 million is from the general fund, an increase of \$56.8 million, or 10 percent, compared to the adjusted 2015-17 biennium appropriation of \$554.1 million.

\$705,188 for **specialized services for individuals DD**, of which \$347,414 is from the general fund.

Economic Assistance Policy Grants

- Provides \$272.8 million for economic assistance, of which \$9.2 million is from the general fund, a decrease in total of \$11.9 million, or 4 percent, compared to the adjusted 2015-17 biennium appropriation of \$284.7 million. The funding includes:

\$8.2 million for **temporary assistance for needy families (TANF)** grants, of which \$900,000 is from the general fund, a decrease in total of \$2.6 million compared to the 2015-17 biennium.

\$22.3 million for **child care assistance**, of which \$2.4 million is from the general fund, \$6.9 million of retained funds, and \$12.9 million of federal funds, a reduction of \$4.3 million compared to the 2015-17 biennium adjusted level of \$26.6 million.

\$727,650 for an **employment and training program**, of which \$173,250 is from the general fund.

Children and Family Services

- Provides \$168.0 million for children and family services, of which \$79.1 million is from the general fund, a decrease in total of \$7.7 million, or 4.4 percent, compared to the adjusted 2015-17 biennium appropriation of \$175.7 million.

INSTITUTIONS

State Hospital

- Provides \$1,094,498 from the general fund for **extraordinary repairs**.
- Provides \$653,299 from the general fund for **equipment** over \$5,000.

Life Skills and Transition Center

- Provides \$676,367 from the general fund for **extraordinary repairs**.
- Provides \$219,764 from the general fund for **equipment** over \$5,000.

HUMAN SERVICE CENTERS

- Provides \$39,600 from the general fund for **extraordinary repairs** at the Southeast Human Service Center.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

The 2017-19 executive budget recommendation includes funding of \$9,450,062, \$2,260,305 less than the 2015-17 appropriation, for the temporary assistance for needy families (TANF) program. The reduction is based on the actual number of TANF recipients and average monthly payments during the 2015-17 biennium, both of which are lower than budgeted.

The 2017-19 executive budget recommendation includes funding to serve an estimated average monthly caseload of 1,205. The September 2016 monthly average caseload was 1,145.

The 2017-19 executive budget recommendation anticipates monthly assistance payments to average \$282 per case for the 2017-19 biennium. The monthly average payment per case in September 2016 was \$274.

The following schedule compares the 2013-15 and 2015-17 biennium appropriations to the 2017-19 executive budget:

	2013-15 Biennium Appropriation	2015-17 Biennium Appropriation	2017-19 Executive Budget Recommendation	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Appropriation
TANF				
Federal funds	\$1,393,447	\$2,539,461	\$1,341,422	(\$1,198,039)
General fund	456,137	1,733,390	902,818	(830,572)
Retained funds ¹	8,979,599	5,027,280	5,276,837	249,557
Other funds - Child support collections	3,687,489	2,410,236	1,928,985	(481,251)
Total - TANF	\$14,516,672	\$11,710,367	\$9,450,062	(\$2,260,305)

¹These funds are federal funds received for administrative costs incurred by the counties that the state retains per the "swap" agreement with the counties.

The Department of Human Services anticipates receiving \$26.4 million of federal TANF block grant funds for each year of the 2017-19 biennium. The department projects carrying forward \$6.0 million of federal TANF block grant funds from the 2015-17 biennium to the 2017-19 biennium. The executive budget recommends spending \$56.1 million of the federal TANF block grant funds in 2017-19. The department anticipates carrying forward \$2.7 million of federal TANF block grant funds from the 2017-19 biennium to the 2019-21 biennium.

MEDICAL SERVICES FUNDING

The 2017-19 executive budget recommendation for medical services grants includes a total of \$1,066.4 million. Of this total, \$256.1 million is from the general fund. The actual number of eligible individuals was 86,670 in July 2015 and 88,750 in June 2016.

The schedule below summarizes medical services funding, excluding funding for nursing facility care and other long-term care services, and community-based developmental disabilities services.

	2013-15 Actual Expenditures	2015-17 Original Appropriation	2015-17 Adjusted Appropriation	2015-17 Projected Expenditures ¹	2017-19 Executive Budget	2017-19 Increase (Decrease) to 2015-17 Projected Expenditures
General fund	\$256,852,051	\$273,614,026	\$254,958,651	\$275,562,978	\$256,087,574	(\$19,475,404)
Federal funds	612,051,430	897,421,903	897,421,903	918,415,564	722,835,730	(195,579,834)
Other funds	46,605,714	40,565,740	40,565,740	40,222,293	87,496,339	47,274,046
Total	\$915,509,195	\$1,211,601,669	\$1,192,946,294	\$1,234,200,835	\$1,066,419,643	(\$167,781,192)

¹Based upon actual expenditures incurred through September 2016.

Federal Medical Assistance Percentage

The federal medical assistance percentage (FMAP) for the medical assistance program is:

Federal Fiscal Year	FMAP	Fiscal Relief and American Recovery and Reinvestment Act of 2009 FMAP
2002	69.87%	
2003	69.36%	72.82% ¹
2004	68.31%	71.31% ¹
2005	67.49%	
2006	65.85%	
2007	64.72%	
2008	63.75%	
2009	63.15%	69.95%
2010	63.01%	69.95%
2011	60.35%	69.95% (1 st quarter - October - December 2010) 66.95% (2 nd quarter - January - March 2011) 64.95% (3 rd quarter - April - June 2011)
2012	55.40%	
2013	52.27%	
2014	50.00%	
2015	50.00%	
2016	50.00%	
2017	50.00%	
2018	50.00% ²	
2019	50.00% ²	

¹The federal fiscal relief FMAP was in effect for five quarters--April 2003 through June 2004.

²Estimate.

NOTE: The federal government pays 100 percent of the costs relating to Medicaid Expansion through December 30, 2016, after which the federal government pays for calendar year:

2017	95%
2018	94%
2019	93%
2020 and future years	90%

Inflationary Adjustments

The following schedule compares recent inflationary adjustments provided to the inflationary adjustments recommended in the executive budget:

	Actual		Actual		Recommended	
	July 2013 Inflationary Adjustment	July 2014 Inflationary Adjustment	July 2015 Inflationary Adjustment	July 2016 Inflationary Adjustment ³	July 2017 Inflationary Adjustment	July 2018 Inflationary Adjustment
Inpatient hospital	4.00%	4.00%	3.00%	0.00%	0.00%	1.00%
Outpatient hospital	4.00%	4.00%	3.00%	0.00%	0.00%	1.00%
Home health	4.00%	4.00%	3.00%	0.00%	0.00%	1.00%
Dental services	4.00%	4.00%	3.00%	0.00%	0.00%	1.00%
Drugs	4.40% brand name ¹ (6.48%) generic ¹	4.21% brand name ¹ (6.98%) generic ¹	7.38% brand name ² 0% generic ²	6.30% brand name ² 3.51% generic ²	10.00% brand name ² 3.50% generic ²	11.00% brand name ² 3.50% generic ²
Physician services	4.00%	4.00%	3.00%	0.00%	0.00%	1.00%

¹Inflation is based upon federal national health expenditure data.
²Inflation is based upon the department's recent historical expenditure data.
³The 2015 Legislative Assembly provided an inflationary adjustment of 3 percent for each year of the 2015-17 biennium, but funding for the second year increase was removed during the August 2016 special legislative session.

Detailed Summary

The following schedule compares the 2013-15 biennium actual expenditures and 2015-17 biennium projected expenditures for medical services to the 2017-19 executive budget recommendation:

	2013-15 Actual Expenditures	2015-17 Projected Expenditures	Percentage Change From Previous Biennium	2017-19 Executive Budget	Percentage of Total	2017-19 Executive Budget Increase (Decrease) to 2015-17 Projected Expenditures	Percentage Increase (Decrease)
Ambulance services	\$8,418,915	\$6,561,295	(22.06%)	\$11,086,044	1.04%	4,524,749	68.96%
Chiropractic services	1,706,090	1,581,531	(7.30%)	1,896,798	0.18%	315,267	19.93%
Dental	28,882,574	29,889,841	3.49%	31,743,775	2.98%	1,853,934	6.20%
Drugs (net)	32,065,766	40,487,975	26.27%	52,306,635	4.90%	11,818,660	29.19%
Durable medical equipment	9,936,114	6,976,010	(29.79%)	10,817,743	1.01%	3,841,733	55.07%
Home health	4,602,000	4,098,419	(10.94%)	14,706,219	1.38%	10,607,800	258.83%
Hospice services	583,129	720,441	23.55%	636,235	0.06%	(84,206)	(11.69%)
Indian Health Service	31,520,142	31,354,636	(0.53%)	33,872,437	3.18%	2,517,801	8.03%
Inpatient hospital	168,248,215	196,618,034	16.86%	184,554,912	17.31%	(12,063,122)	(6.14%)
Laboratory and radiology	1,541,878	2,304,701	49.47%	1,405,376	0.13%	(899,325)	(39.02%)
Medicaid Expansion	285,715,482	588,782,978	106.07%	389,202,022	36.50%	(199,580,956)	(33.90%)
Outpatient hospital	78,935,628	76,034,767	(3.67%)	94,082,711	8.82%	18,047,944	23.74%
Physician services	124,053,784	105,005,225	(15.36%)	91,231,178	8.55%	(13,774,047)	(13.12%)
Premiums	23,222,456	27,158,923	16.95%	33,429,787	3.13%	6,270,864	23.09%
Psychiatric residential treatment facilities	25,478,448	28,979,508	13.74%	32,489,387	3.05%	3,509,879	12.11%
Rural health clinics/federally qualified health centers	14,309,079	16,063,406	12.26%	14,706,219	1.38%	(1,357,187)	(8.45%)
Other	76,289,495	71,583,145	(6.17%)	68,252,165	6.40%	(3,330,980)	(4.65%)
Total	\$915,509,195	\$1,234,200,835	34.81%	\$1,066,419,643	100.00%	(\$167,781,192)	(13.59%)
General fund	\$256,852,051	\$275,562,978	7.28%	\$256,271,221	24.03%	(\$19,291,757)	(7.00%)
Federal funds	612,051,430	918,415,564	50.06%	722,835,730	67.78%	(195,579,834)	(21.30%)
Other funds	46,605,714	40,222,293	(13.70%)	87,312,692	8.19%	47,090,399	117.08%
Total	\$915,509,195	\$1,234,200,835	34.81%	\$1,066,419,643	100.00%	(\$167,781,192)	(13.59%)

LONG-TERM CARE SERVICES FUNDING

The 2017-19 executive budget recommendation for long-term care services totals \$732 million. Of this total, \$336.4 million is from the general fund. The schedule below summarizes the total funding recommended for long-term care services:

	2013-15 Actual Expenditures ¹	2015-17 Legislative Appropriation ²	2015-17 Adjusted Legislative Appropriation ²	2015-17 Projected Expenditures ^{2,3}	2017-19 Executive Budget ²	2017-19 Increase (Decrease) to 2015-17 Projected Expenditures
General fund	\$292,453,575	\$334,150,167	\$327,021,709	\$320,978,713	\$336,379,241	\$15,400,528
Federal funds	270,834,589	304,652,500	304,301,767	294,281,811	347,485,144	53,203,333
Other funds	3,995,739	3,248,081	3,248,081	2,774,806	48,087,366	45,312,560
Total	\$567,283,903	\$642,050,748	\$634,571,557	\$618,035,330	\$731,951,751	\$113,916,421

¹Actual expenditures for the 2013-15 biennium includes funding of \$924,443 for autism waivers, of which \$426,653 is from the general fund; and funding of \$58,939 from the general fund for autism vouchers.

²Includes funding for autism services.

³Based upon actual expenditures through August 2016.

Federal Medical Assistance Percentage

The federal medical assistance percentage (FMAP) for long-term care services is the same as medical services programs.

Inflationary Adjustments

The following schedule compares recent inflationary adjustments provided to the inflationary adjustments recommended in the executive budget:

	Actual		Actual		Recommended	
	July 2013 Inflationary Adjustment	July 2014 Inflationary Adjustment	July 2015 Inflationary Adjustment	July 2016 Inflationary Adjustment ¹	July 2017 Inflationary Adjustment	July 2018 Inflationary Adjustment
Nursing facilities	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%
Basic care	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%
Service payments for elderly and disabled (SPED)	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%
Expanded SPED	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%
Home- and community-based services waiver	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%
Targeted case management	3.00%	3.00%	3.00%	0.00%	0.00%	1.00%

¹The 2015 Legislative Assembly provided an inflationary adjustment of 3 percent effective July 1, 2016, the funding for the increase was removed due to budget reductions approved during the August 2016 special legislative session.

HEALTHY STEPS FUNDING (CHILDREN'S HEALTH INSURANCE PROGRAM)

The executive budget recommends maintaining eligibility requirements for the program at 160 percent of the federal poverty level based on modified adjusted gross income and serving a monthly average of 2,220 children for the 2017-19 biennium. In October 2016, 2,264 premiums were paid by the program. The 2017-19 executive budget includes funding for a monthly premium increase of \$22.17, or 7.05 percent, over the 2015-17 budgeted premium.

The schedule below compares the 2017-19 executive budget recommendation to 2015-17 projected expenditures:

	2011-13 Actual Expenditures	2013-15 Actual Expenditures	2015-17 Appropriation	2015-17 Projected Expenditures ¹	2017-19 Executive Budget	2017-19 Increase (Decrease) To 2015-17 Projected
General fund	\$8,164,098	\$7,674,985	\$1,037,208	\$2,010,168	\$1,870,086	(\$140,082)
Federal funds	17,451,370	14,324,710	19,437,716	12,250,123	13,712,891	1,462,768
Other funds	0	0	0	0	0	0
Total	\$25,615,468	\$21,999,695	\$20,474,924	\$14,260,291	\$15,582,977	\$1,322,686

¹Based upon actual expenditures incurred through August 2016.

Federal Medical Assistance Percentage and North Dakota's Allocation

The schedule below summarizes the federal medical assistance percentage (FMAP) and North Dakota's allocation of federal funds for the Healthy Steps program:

Federal Fiscal Year Ending	FMAP ¹	North Dakota Allocation
September 30, 2002	78.91%	\$5,333,000
September 30, 2003	77.85%	\$5,437,000
September 30, 2004	77.82%	\$5,437,000
September 30, 2005	77.24%	\$6,384,719
September 30, 2006	76.10%	\$6,346,156
September 30, 2007	75.30%	\$7,737,529
September 30, 2008	74.63%	\$11,017,680 ²
September 30, 2009	74.21%	\$15,821,554
September 30, 2010	74.11%	\$16,595,628
September 30, 2011	72.25%	\$15,257,665
September 30, 2012	68.78%	\$16,063,553
September 30, 2013	66.59%	\$17,204,487
September 30, 2014	65.00%	\$18,311,337
September 30, 2015	65.00%	\$5,508,944
September 30, 2016	65.00% ³	\$6,523,357
September 30, 2017 (estimates)	65.00% ³	\$5,976,448
September 30, 2018 (estimates)	65.00% ³	\$6,759,141

¹The federal fiscal relief FMAP was in effect for five quarters--April 2003 through June 2004.

²This amount includes one-time additional federal funding of \$3,128,684.

³The Affordable Care Act (ACA) includes a 23 percent increase in the federal match for the children's health insurance program (CHIP) starting October 1, 2017. Current federal authority provides funds for the CHIP program through September 2017. Congress must appropriate funding for CHIP to continue after September 30, 2017. The executive recommendation assumes the 23 percent increase will not be approved by Congress.

Children Enrolled and Premium Rates

The following schedule compares recent inflationary adjustments provided for the inflationary adjustments recommended in the executive budget.

State Fiscal Year Ending	Monthly Average Children Enrolled	Premium Expenditures	Monthly Average Premium Rates
June 30, 2002	2,534	\$3,823,196	\$127.17
June 30, 2003	2,099	\$3,213,705	\$127.67
June 30, 2004	2,301	\$4,220,838	\$154.30
June 30, 2005	2,322	\$4,348,931	\$154.78
June 30, 2006	3,278	\$7,156,204	\$181.90
June 30, 2007	3,764	\$8,285,245	\$183.45
June 30, 2008	4,006	\$9,725,149	\$202.32
June 30, 2009	3,470	\$8,496,620	\$204.03
June 30, 2010	3,368	\$9,262,366	\$229.15
June 30, 2011	3,718	\$10,388,805	\$232.82
June 30, 2012	3,872	\$12,668,649	\$272.69
June 30, 2013	4,003	\$12,946,819	\$269.53
June 30, 2014	3,879	\$13,059,110	\$280.52
June 30, 2015	2,591	\$8,940,585	\$287.56
June 30, 2016	2,298	\$7,532,537	\$273.12
June 30, 2017	2,370 ¹	\$6,805,328 ¹	\$261.08 ¹
June 30, 2018	2,220 ¹	\$7,617,617 ¹	\$285.95 ¹
June 30, 2019	2,220 ¹	\$7,965,360 ¹	\$299.00 ¹

¹Estimate

DEVELOPMENTAL DISABILITIES

The following schedule compares the executive budget recommended funding levels for developmental disabilities (DD) programs to previous biennial appropriations:

DEVELOPMENTAL DISABILITIES PROGRAMS FOR THE 2017-19 BIENNIUM AS RECOMMENDED IN THE GOVERNOR'S BUDGET COMPARED TO THE 2009-11 THROUGH 2015-17 APPROPRIATIONS

	2009-11 Biennium Appropriations	2011-13 Biennium Appropriations	2013-15 Biennium Appropriations	2015-17 Biennium Adjusted Appropriations	2017-19 Executive Budget Recommendation	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Appropriations
Life Skills and Transition Center						
Total appropriation (excluding capital improvements)	\$52,792,908	\$49,725,776	\$53,816,557	\$60,017,384	\$60,365,810	\$348,426
Less estimated income	<u>39,506,611</u>	<u>30,721,449</u>	<u>28,896,308</u>	<u>29,970,016</u>	<u>31,117,587</u>	<u>1,147,571</u>
General fund	<u>\$13,286,297</u>	<u>\$19,004,327</u>	<u>\$24,920,249</u>	<u>\$30,047,368</u>	<u>\$29,248,223</u>	<u>(\$799,145)</u>
Department of Human Services						
DD grants						
Residential service	123,562,388	143,639,377	174,727,231	203,343,908	220,213,900	16,869,992
Day and employment services	57,753,675	68,181,958	85,833,660	99,129,664	104,285,171	5,155,507
Family support services	36,167,344	44,498,427	67,341,931	75,820,357	90,974,149	15,153,792
Family subsidy	1,746,336	901,200	435,696	317,832	317,688	(144)
Specialized services waiver					500,000	500,000
DD funding buckets ¹	<u>7,828,457</u>	<u>8,422,628</u>	<u>8,935,580</u>	<u>9,479,776</u>	<u>9,386,444</u>	<u>(93,332)</u>
Subtotal	\$227,058,200	\$265,643,590	\$337,274,098	\$388,091,537	\$425,677,352	\$37,585,815
Community intermediate care facility care	<u>113,446,346</u>	<u>129,492,119</u>	<u>165,443,227</u>	<u>170,154,272</u>	<u>185,227,109</u>	<u>15,072,837</u>
Total - DD grants	\$340,504,546	\$395,135,709	\$502,717,325	\$558,245,809	\$610,904,461	\$52,658,652
Less estimated income	<u>230,086,019</u> ²	<u>222,513,894</u> ²	<u>251,023,161</u>	<u>283,475,219</u>	<u>309,956,864</u>	<u>26,481,645</u>
General fund - DD grants	<u>\$110,418,527</u>	<u>\$172,621,815</u>	<u>\$251,694,164</u>	<u>\$274,770,590</u>	<u>\$300,947,597</u>	<u>\$26,177,007</u>
Total - Vocational rehabilitation - Supported employment	\$256,713	\$560,000	\$600,000	\$633,334	\$633,334	\$0
Less estimated income	<u>256,713</u>	<u>560,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>0</u>
General fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,334</u>	<u>\$33,334</u>	<u>\$0</u>
Additional Department of Human Services						
DD costs						
Central office	\$8,926,443	\$10,970,048	\$11,384,361	\$10,730,170	\$10,898,514	\$168,344
Regional human service centers	<u>13,486,487</u>	<u>14,734,650</u>	<u>16,861,852</u>	<u>18,414,363</u>	<u>19,539,005</u>	<u>1,124,642</u>
Total additional DD costs	\$22,412,930	\$25,704,698	\$28,246,213	\$29,144,533	\$30,437,519	\$1,292,986

	2009-11 Biennium Appropriations	2011-13 Biennium Appropriations	2013-15 Biennium Appropriations	2015-17 Biennium Adjusted Appropriations	2017-19 Executive Budget Recommendation	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Appropriations
Less estimated income	12,844,385	14,331,237	14,826,092	13,139,383	13,400,798	261,415
General fund - Additional DD costs	\$9,568,545	\$11,373,461	\$13,420,121	\$16,005,150	\$17,036,721	\$1,031,571
Grand total - DD services	\$415,967,097	\$471,126,183	\$585,380,095	\$648,041,060	\$702,341,124	\$54,300,064
Less grand total estimated income	282,693,728	268,126,580	295,345,561	327,184,618	355,075,249	27,890,631
Grand total - General fund - DD services	\$133,273,369	\$202,999,603	\$290,034,534	\$320,856,442	\$347,265,875	\$26,409,433

NOTE: The amounts shown for the 2009-11, 2011-13, 2013-15, and 2015-17 bienniums are the adjusted appropriations; however, 2015-17 does not include adjustments from the August 2016 special legislative session.

¹Enhanced funding for various critical needs provided to children and adults with disabilities.

²Includes Bank of North Dakota loan funds of \$1,190,654.

Recent inflationary adjustments for DD services compared to inflationary adjustments proposed in the executive budget are listed below:

	Actual		Executive Recommendation
July 1, 2005	2.65%	July 1, 2017	0.00%
July 1, 2006	2.65%	July 1, 2018	1.00%
July 1, 2007	4.00%		
July 1, 2008	5.00%		
July 1, 2009	6.00%		
July 1, 2010	6.00%		
July 1, 2011	3.00%		
July 1, 2012	3.00%		
July 1, 2013	4.00%		
July 1, 2014	4.00%		
July 1, 2015	3.00%		
July 1, 2016	0.00% ¹		

¹The Legislative Assembly provided funding for a 3 percent inflationary increase effective July 2016, but the funding was removed due to budget reductions approved during the August 2016 special legislative session.

**MENTAL HEALTH SERVICES
EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2017-19 BIENNIUM
COMPARED TO THE 2009-11 THROUGH 2015-17 BIENNIUM LEGISLATIVE APPROPRIATIONS**

	2009-11 Adjusted Appropriations	2011-13 Adjusted Appropriations	2013-15 Adjusted Appropriations	2015-17 Adjusted Appropriations	2017-19 Executive Budget Recommendation	2017-19 Executive Budget Increase (Decrease) Compared to 2015-17 Adjusted Appropriations
State Hospital						
Traditional services	\$46,489,131	\$49,619,507	\$51,909,594	\$58,900,983	\$58,278,244	(\$622,739)
Secure services	10,480,123	10,944,114	12,469,059	13,118,938	12,123,766	(995,172)
Capital improvements	4,618,531	2,596,251	1,775,168	3,101,349	1,094,498	(2,006,851)
Total	\$61,587,785	\$63,159,872	\$66,153,821	\$75,121,270	\$71,496,508	(\$3,624,762)
Less estimated income	13,742,143	12,591,202	14,214,982	13,673,947	16,454,799	2,780,852
General fund	\$47,845,642	\$50,568,670	\$51,938,839	\$61,447,323	\$55,041,709	(\$6,405,614)
Department of Human Services						
Central office - Mental health	\$3,557,993	\$5,031,091	\$4,776,261	\$5,268,278	\$9,008,830	\$3,740,552
Central office - Community treatment - Sex offender population	1,864,831	1,863,135	2,290,297	0	0	0
Human service centers - Mental health	70,892,132 ¹	79,054,412 ¹	90,557,128 ¹	101,786,614 ¹	99,575,964 ¹	(2,210,650)
Total	\$76,314,956	\$85,948,638	\$97,623,686	\$107,054,892	\$108,584,794	\$1,529,902
Less estimated income	41,366,275	41,147,482	41,221,480	43,891,345	46,067,070	2,175,725
General fund	\$34,948,681	\$44,801,156	\$56,402,206	\$63,163,547	\$62,517,724	(\$645,823)
Grand total - Mental health services	\$137,902,741	\$149,108,510	\$163,777,507	\$182,176,162	\$180,081,302	(\$2,094,860)
Less grand total estimated income	55,108,418	53,738,684	55,436,462	57,565,292	62,521,869	4,956,577
Grand total - General fund - Mental health	\$82,794,323	\$95,369,826	\$108,341,045	\$124,610,870	\$117,559,433	(\$7,051,437)

NOTE: The amounts shown for the 2009-11, 2011-13, 2013-15, and 2015-17 bienniums are the adjusted appropriations; however, the 2015-17 biennium does not include adjustments from the August 2016 special legislative session.

¹The comparison of funding for human service centers/mental health services is:

	2009-11 Adjusted Appropriations	2011-13 Adjusted Appropriations	2013-15 Adjusted Appropriations	2015-17 Adjusted Appropriations	2017-19 Executive Budget Recommendation	Increase (Decrease) Compared to 2015-17 Appropriations
General fund	\$31,529,246	\$40,637,993	\$51,353,046	\$59,783,167	\$58,711,757	(\$1,071,410)
Other funds	39,362,886	38,416,419	39,204,082	42,003,447	40,864,207	(1,139,240)
Total	\$70,892,132	\$79,054,412	\$90,557,128	\$101,786,614	\$99,575,964	(\$2,210,650)

ANALYSIS OF NEW PROGRAMS AND MAJOR CHANGES TO EXISTING PROGRAMS FOR OTHER STATE AGENCIES INCLUDED IN THE 2017-19 EXECUTIVE BUDGET

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
GENERAL GOVERNMENT					
101	Governor's Office				
	• Reduces funding for salaries and wages		(\$93,004)		(\$93,004)
	• Reduces funding for operating expenses		(\$45,254)		(\$45,254)
108	Secretary of State				
	• Adds funding for hosting and maintenance costs of the new North Dakota central indexing system			\$526,000	\$526,000
	• Removes 1 full-time equivalent (FTE) nonclassified position	(1.00)	(\$104,445)		(\$104,445)
	• Removes funding for electronic reform, including reductions for data processing (\$200,000), contractual services and repairs (\$1,164,620), and professional fees (\$151,707)			(\$1,516,327)	(\$1,516,327)
110	Office of Management and Budget (OMB)				
	• Adjusts funding for FTE positions, including the removal of 1.5 FTE administrative assistant positions, 1 FTE maintenance position, and 1 FTE computer and networking specialist position	(3.50)	(\$268,321)	\$1,499	(\$266,822)
	• Reduces funding for operating expenses, including the removal of \$30,000 for the Western Interstate Commission for Higher Education dues, the removal of \$6,000 for the Governmental Accounting Standards Board dues, and a reduction of \$14,500 for the Commission on Uniform State Laws from \$145,000 to \$130,500.		(\$152,772)		(\$152,772)
	• Adds funding for unemployment payments			\$2,000,000	\$2,000,000
	• Adds funding for extraordinary repairs, including chiller replacement and plumbing upgrades		\$108,066	\$1,000,000	\$1,108,066
	• Removes funding for community service supervision grants (\$500,000) and reduces funding for guardianship grants (\$132,860) and other grants (\$1,000)		(\$633,860)		(\$633,860)
	• Reduces funding for Prairie Public Broadcasting to \$1,200,000		(\$400,000)		(\$400,000)
	• Removes funding for the state internship program		(\$200,000)		(\$200,000)
	• Adds one-time funding for a surplus property building (\$800,000) and a cybersecurity insurance funding pool (\$1,000,000)			\$1,800,000	\$1,800,000
112	Information Technology Department				
	• Removes 1 Educational Technology Council Director FTE position	(1.00)	(\$300,000)		(\$300,000)
	• Adds funding for K-12 wide area network costs to continue		\$600,000		\$600,000
	• Removes funding for information technology (IT) equipment and capital assets		(\$109,655)	(\$345,000)	(\$454,655)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> Adds funding for EduTech operating expenses, including increases in IT software (\$809,625) and IT data processing (\$250,000) 			\$1,260,688	\$1,260,688
	<ul style="list-style-type: none"> Adjusts funding for IT operating expenses, including an increase in IT software maintenance fees of \$4.2 million and a decrease in IT contract expenses of \$5.4 million 			(\$1,327,131)	(\$1,327,131)
117	State Auditor				
	<ul style="list-style-type: none"> Removes 4 FTE positions from the Division of State Audits 	(4.00)	(\$541,000)		(\$541,000)
	<ul style="list-style-type: none"> Removes 2 North Dakota University System audit FTE positions, and unfunds an additional 2 University System FTE positions. Funding for these 4 FTE positions was removed as part of the agency's base budget reductions 	(2.00)			
120	State Treasurer				
	<ul style="list-style-type: none"> Reduces funding for temporary staff and for an FTE position that had duties reassigned 		(\$89,391)		(\$89,391)
	<ul style="list-style-type: none"> Adds funding for IT costs 		\$50,646		\$50,646
	<ul style="list-style-type: none"> Removes funding for coal severance shortfall payments 		(\$228,952)		(\$228,952)
125	Attorney General				
	<ul style="list-style-type: none"> Removes the following 16 FTE positions: <ul style="list-style-type: none"> 5 vacant positions 11 filled positions 	(5.00) (11.00)		(\$17,808) (\$44,258)	(\$17,808) (\$683,110)
	<ul style="list-style-type: none"> Changes the funding source for 2 FTE positions from general fund to special funds 		(\$262,767)	\$262,767	\$0
	<ul style="list-style-type: none"> Increases federal funds spending authority 			\$228,897	\$228,897
	<ul style="list-style-type: none"> Removes funding for abortion litigation fees 		(\$200,000)		(\$200,000)
	<ul style="list-style-type: none"> Removes ongoing funding for 2015-17 biennium equipment 		(\$569,982)	(\$1,536,028)	(\$2,106,010)
	<ul style="list-style-type: none"> Adjusts special funds appropriation authority, including a reduction of \$6.3 million relating to the 24/7 Sobriety program 			(\$7,434,681)	(\$7,434,681)
	<ul style="list-style-type: none"> Adds one-time funding for new equipment 		\$83,450	\$1,892,910	\$1,976,360
127	Tax Commissioner				
	<ul style="list-style-type: none"> Removes 3 FTE positions, including 1 tax services FTE position, 1 office assistant FTE position, and 1 document imaging FTE position 	(3.00)	\$0		\$0
	<ul style="list-style-type: none"> Adds funding for salaries and wages to partially restore 2015-17 biennium budget reductions 		\$436,256		\$436,256
	<ul style="list-style-type: none"> Reduces funding for operating expenses, primarily related to professional services, postage, and office equipment and furniture 		(\$706,487)		(\$706,487)
	<ul style="list-style-type: none"> Reduces funding for the homestead tax credit program (\$2,690,000) and the disabled veterans' tax credit program (\$264,891) 		(\$2,954,891)		(\$2,954,891)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
140	Office of Administrative Hearings • No major changes were identified for this agency.				
150	Legislative Assembly • Provides funding for proposed legislative compensation adjustments, including monthly compensation, additional leadership monthly compensation, and daily session pay, of 1 percent in each year of the biennium • Reduces funding for temporary salaries		\$98,526 (\$51,864)		\$98,526 (\$51,864)
160	Legislative Council • Provides funding for proposed legislative compensation adjustments in legislative per diem for interim meetings of 1 percent in each year of the biennium • Reduces funding for per diem salaries and wages related to a reduction in interim committee sizes • Reduces funding for salaries and wages due to staff turnover • Adds funding for copier replacement		\$11,734 (\$92,251) (\$126,558) \$30,000		\$11,734 (\$92,251) (\$126,558) \$30,000
180	Judicial Branch Supreme Court • Removes various FTE positions	(4.50)	(\$414,424)		(\$414,424)
	District Court • Increases funding for employee health insurance • Removes various FTE positions • Increases payments to contract counties • Increases funding for IT • Adjusts funding for operating expenses	(32.00)	\$887,220 (\$2,801,754) \$342,479 \$586,475 \$458,102	(\$393,210)	\$887,220 (\$2,801,754) \$342,479 \$586,475 \$64,892
188	Commission on Legal Counsel for Indigents • Adds funding for professional fees due to increases in caseloads		\$384,708		\$384,708
190	Retirement and Investment Office • No major changes were identified for this agency.				
192	Public Employees Retirement System (PERS) • No major changes were identified for this agency.				
EDUCATION					
226	Department of Trust Lands • Removes 2 FTE positions, including 1 Energy Infrastructure and Impact Office FTE position (\$151,237) and 1 Natural Resources Director FTE position (\$259,307) • Adds 1 geographic information system specialist FTE position, including \$177,080 for salaries and wages and \$23,025 for operating expenses	(2.00) 1.00		(\$410,544) \$200,105	(\$410,544) \$200,105

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> Reduces funding for operating costs related to professional services, IT services and equipment, and travel 			(\$405,685)	(\$405,685)
	<ul style="list-style-type: none"> Adds one-time funding for an IT system replacement project 			\$5,520,000	\$5,520,000
270	Department of Career and Technical Education				
	<ul style="list-style-type: none"> Reduces 1 assistant supervisor FTE position 	(1.00)	\$0		\$0
	<ul style="list-style-type: none"> Reduces funding for grants, including reductions to postsecondary grants (\$74,406), adult farm management grants (\$80,616), workforce training grants (\$203,500), and state-funded grants (\$1,024,434) 		(\$1,559,707)		(\$1,559,707)
HEALTH AND HUMAN SERVICES					
301	State Department of Health				
	<ul style="list-style-type: none"> Adds 17 FTE positions and related funding for a Medical Marijuana Division, including operating expenses and equipment, of which \$1,197,903 is considered one-time funding from special funds 	17.00	\$2,057,644	\$5,000,000	\$7,057,644
	<ul style="list-style-type: none"> Increases funding for grants to local public health units to provide \$7.25 million, of which \$4 million is from the tobacco prevention and control trust fund 		(\$1,000,000)	\$4,000,000	\$3,000,000
	<ul style="list-style-type: none"> Changes the funding source for cancer, stroke, and cardiac care programs to provide funding from the tobacco prevention and control trust fund 		(\$1,501,222)	\$1,501,222	\$0
	<ul style="list-style-type: none"> Changes the funding source for the physician and behavioral health loan repayment programs to provide funding from the tobacco prevention and control trust fund 		(\$723,640)	\$723,640	\$0
	<ul style="list-style-type: none"> Changes the funding source for federal Environmental Protection Agency litigation to provide funding from the strategic investment and improvements fund 		(\$500,000)	\$500,000	\$0
	<ul style="list-style-type: none"> Removes funding for the universal vaccine program discontinued July 1, 2016 		(\$1,276,853)		(\$1,276,853)
	<ul style="list-style-type: none"> Reduces funding for rural emergency medical services operations grants 		(\$441,550)		(\$441,550)
305	Tobacco Prevention and Control Committee				
	<ul style="list-style-type: none"> Removes 8 Tobacco Prevention and Control Committee FTE positions and eliminates the agency 			(\$16,548,039)	(\$16,548,039)
313	Veterans' Home				
	<ul style="list-style-type: none"> Adjusts funding for salaries and wages 		(\$2,817,227)	\$3,379,993	\$562,766
	<ul style="list-style-type: none"> Adds funding for operating expenses 		\$347,825	\$210,433	\$558,258
316	Indian Affairs Commission				
	<ul style="list-style-type: none"> Removes 1 education program administrator FTE position 	(1.00)	(\$109,850)		(\$109,850)
	<ul style="list-style-type: none"> Restores Youth Leadership Academy funding 		\$10,572		\$10,572
321	Department of Veterans' Affairs				
	<ul style="list-style-type: none"> Adds funding for the transportation grants program, including \$1.3 million of federal funds originally approved by the Emergency Commission during the 2015-17 biennium 			\$1,719,520	\$1,719,520

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
360	Protection and Advocacy Project				
	• No major changes were identified for this agency.				
380	Job Service North Dakota				
	• Removes funding for 56.15 FTE positions	(56.15)	\$0	(\$8,121,744)	(\$8,121,744)
	• Adjusts Reed Act funding for unemployment insurance computer modernization			(\$1,193,573)	(\$1,193,573)
	• Adjusts funding for the Workforce 20/20 program		(\$938,316)		(\$938,316)
	• Adjusts funding for operating expenses, including a decrease of \$1.6 million for IT contractual services and repairs			(\$2,761,402)	(\$2,761,402)
REGULATORY					
401	Insurance Commissioner, Including Insurance Tax Payments to Fire Departments				
	• Removes FTE positions	(2.50)		(\$616,460)	(\$616,460)
	• Reduces funding for Insurance Department operating expenses			(\$357,265)	(\$357,265)
	• Reduces funding for grants to fire districts from the insurance tax distribution fund to provide a total of \$14,113,086			(\$1,568,121)	(\$1,568,121)
405	Industrial Commission				
	• Removes 11.5 engineering technician and other FTE positions	(11.50)	(\$1,016,027)		(\$1,016,027)
	• Reduces funding for salaries and wages, not associated with particular positions		(\$900,000)		(\$900,000)
	• Reduces funding for unspecified operating expenses		(\$675,000)		(\$675,000)
	• Reduces funding for bond payments			(\$1,830,345)	(\$1,830,345)
406	Department of Labor and Human Rights				
	• Removes 1 administrative assistant FTE position	(1.00)	(\$52,998)		(\$52,998)
408	Public Service Commission				
	• Adds funding to convert the temporary railroad inspector to an FTE position	1.00		\$35,966	\$35,966
	• Removes the following FTE positions (\$281,120) and related operating expenses (\$10,822):	(2.00)	(\$291,942)		(\$291,942)
	1 compliance officer FTE position				
	1 audit technician FTE position				
	• Removes funding for specialized legal services		(\$56,000)		(\$56,000)
	• Removes federal spending authority for federal grant appropriations			(\$2,000,000)	(\$2,000,000)
	• Adds one-time funding for specialized legal services, of which \$300,000 is from the strategic investment and improvements fund			\$636,000	\$636,000
412	Aeronautics Commission				
	• Adjusts airport grant funding		(\$34,500)	\$800,000	\$765,500
	• Adds funding for operating expenses			\$143,810	\$143,810

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> Removes funding for capital assets 			(\$200,000)	(\$200,000)
	<ul style="list-style-type: none"> Removes funding for education grants 			(\$100,000)	(\$100,000)
	<ul style="list-style-type: none"> Removes planning grant funding 			(\$1,100,000)	(\$1,100,000)
413	Department of Financial Institutions				
	<ul style="list-style-type: none"> No major changes were identified for this agency. 				
414	Securities Department				
	<ul style="list-style-type: none"> Restores allotment reductions to operating expenses 		\$146,545		\$146,545
	<ul style="list-style-type: none"> Changes the agency's primary funding source from the general fund to special funds 		(\$2,237,326)	\$2,237,326	\$0
471	Bank of North Dakota				
	<ul style="list-style-type: none"> Adds funding for costs to continue additional salary increases provided during the 2015-17 biennium 			\$1,459,131	\$1,459,131
	<ul style="list-style-type: none"> Reduces funding for operating expenses 			(\$1,174,818)	(\$1,174,818)
	<ul style="list-style-type: none"> Adds funding for IT and other equipment 			\$65,000	\$65,000
473	Housing Finance Agency				
	<ul style="list-style-type: none"> Adds funding for costs to continue additional salary increases provided during the 2015-17 biennium, including equity increases and vacant position adjustments 			\$257,425	\$257,425
	<ul style="list-style-type: none"> Adds funding for operating expenses related to mortgage servicing fees 			\$970,000	\$970,000
	<ul style="list-style-type: none"> Adds funding for federal Housing and Urban Development grants 			\$6,017,048	\$6,017,048
475	Mill and Elevator Association				
	<ul style="list-style-type: none"> Adds funding for 6 FTE positions, including 2 grain handling FTE positions, 2 food safety FTE positions, 1 flour packer FTE position, and 1 utility worker FTE position 			\$768,893	\$768,893
	<ul style="list-style-type: none"> Adds funding for increased costs related to utilities, supplies, and repairs 			\$868,000	\$868,000
485	Workforce Safety and Insurance				
	<ul style="list-style-type: none"> Adjusts funding for credit card fees 			(\$1,200,000)	(\$1,200,000)
	<ul style="list-style-type: none"> Adjusts operating expenses, including increases in professional fees (\$801,630) and IT data processing (\$993,966) and a decrease in IT data processing (\$669,381) 			\$1,199,920	\$1,199,920
PUBLIC SAFETY					
504	Highway Patrol				
	<ul style="list-style-type: none"> Removes 9 trooper FTE positions 	(9.00)	(\$1,561,553)		(\$1,561,553)
	<ul style="list-style-type: none"> Adds funding for on-call pay for troopers 		\$323,750	\$46,250	\$370,000
	<ul style="list-style-type: none"> Provides funding from the strategic investment and improvements fund for ongoing operating expenses 			\$156,000	\$156,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> Provides one-time funding from the strategic investment and improvements fund for equipment purchases 			\$358,000	\$358,000
530	Department of Corrections and Rehabilitation Juvenile Services				
	<ul style="list-style-type: none"> Adds 10 FTE positions to ensure compliance with staffing ratios required by the federal Prison Rape Elimination Act at the Youth Correctional Center 	10.00	\$1,258,076		\$1,258,076
	<ul style="list-style-type: none"> Restores base funding from the general fund removed in the August 2016 general fund budget reduction to continue contracted treatment, transition programming, and inmate housing 		\$131,250		\$131,250
	<ul style="list-style-type: none"> Restores funding from the general fund removed in the August 2016 general fund budget reduction for salaries and wages 		\$142,119		\$142,119
	<ul style="list-style-type: none"> Reduces funding for extraordinary repairs 		(\$224,000)		(\$224,000)
	<ul style="list-style-type: none"> Increases funding from federal grants 			\$200,000	\$200,000
	Adult Services				
	<ul style="list-style-type: none"> Restores base funding from the general fund removed in the August 2016 general fund budget reduction to continue contracted treatment, transition programming, and inmate housing 		\$4,583,823		\$4,583,823
	<ul style="list-style-type: none"> Restores funding from the general fund removed in the August 2016 general fund budget reduction for the Dakota Women's Correctional and Rehabilitation Center contract 		\$454,256		\$454,256
	<ul style="list-style-type: none"> Restores funding from the general fund removed in the August 2016 general fund budget reduction for salaries and wages 		\$319,816		\$319,816
	<ul style="list-style-type: none"> Reduces funding for extraordinary repairs 		(\$363,060)		(\$363,060)
	<ul style="list-style-type: none"> Provides one-time funding from the strategic investment and improvements fund for an electronic medical records system 			\$935,907	\$935,907
	<ul style="list-style-type: none"> Increases funding from federal grants 			\$2,817,597	\$2,817,597
540	Adjutant General, Including the National Guard and Department of Emergency Services				
	<ul style="list-style-type: none"> Reduces funding for operating expenses 		(\$2,070,522)		(\$2,070,522)
	<ul style="list-style-type: none"> Reduces funding for National Guard grants 		(\$146,961)		(\$146,961)
	<ul style="list-style-type: none"> Reduces funding for Department of Emergency Services grants, including disaster grants 			(\$57,784,088)	(\$57,784,088)
	<ul style="list-style-type: none"> Removes funding for mortuary response training 		(\$191,900)		(\$191,900)
	<ul style="list-style-type: none"> Reduces funding for equipment, IT, motor vehicles, and land and buildings 		(\$25,000)	(\$3,115,194)	(\$3,140,194)
	<ul style="list-style-type: none"> Adds one-time funding from federal funds for emergency response equipment 			\$569,000	\$569,000
	<ul style="list-style-type: none"> Adds one-time funding for a National Guard Readiness Center capital project 			\$33,000,000	\$33,000,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
AGRICULTURE AND ECONOMIC DEVELOPMENT					
601	Department of Commerce				
	• Removes 1 administrative assistant FTE position, 1 program assistant FTE position, and 1 nonclassified FTE position	(3.00)	(\$274,522)	(\$204,556)	(\$479,078)
	• Increases funding for tourism operating expenses			\$137,000	\$137,000
	• Adjusts workforce and economic development grants			\$846,378	\$846,378
	• Adjusts funding for flood grants, including \$5 million from disaster community development block grants		(\$7,186)	\$5,296,141	\$5,288,955
	• Adds one-time funding from the strategic investment and improvements fund, including \$2 million for unmanned aerial systems grants and \$1 million for base retention grants			\$3,000,000	\$3,000,000
602	Department of Agriculture				
	• Removes 1 administrative assistant I FTE position and 1 agriculture program coordinator FTE position	(2.00)	(\$292,385)		(\$292,385)
	• Adjusts funding for grants, including a federal funds increase of \$156,500 for specialty crop grants and a special funds decrease of \$900,000 in the state waterbank program			(\$775,000)	(\$775,000)
	• Adjusts funding for IT operating expenses		(\$296,836)	\$67,225	(\$229,611)
	• Provides one-time funding from the strategic investment and improvements fund for a federal environmental law impact review			\$1,000,000	\$1,000,000
627	Upper Great Plains Transportation Institute				
	• Reduces FTE positions and related salaries and operating expenses	(1.30)	(\$213,402)		(\$213,402)
	• Adjusts funding for operating expenses and grants		(\$21,203)	\$601,085	\$579,882
	• Adjusts funding for additional general fund budget reduction		(\$200,000)	\$200,000	\$0
628	Branch Research Centers				
	• Adjusts funding for salaries and removal of FTE positions	(3.65)	(\$642,408)		(\$642,408)
	• Adjusts funding for additional general fund budget reduction		(\$553,620)	\$350,000	(\$203,620)
630	North Dakota State University Extension Service				
	• Adjusts funding for salaries	(10.93)	(\$1,619,206)	\$200,000	(\$1,419,206)
	• Adjusts funding for operating expenses		\$175,557		\$175,557
	• Reduces funding for equipment		(\$300,000)		(\$300,000)
638	Northern Crops Institute				
	• Reduces funding for equipment		(\$200,000)		(\$200,000)
640	North Dakota State University Main Research Center				
	• Reduces funding for salaries and wages	(17.73)	(\$1,946,615)		(\$1,946,615)
	• Reduces funding for operating expenses		(\$355,589)		(\$355,589)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> Restores allotment funding for equipment Adjusts funding for additional general fund budget reductions 		\$260,000		\$260,000
			(\$1,700,000)	\$1,600,000	(\$100,000)
649	Agronomy Seed Farm				
	<ul style="list-style-type: none"> No major changes were identified for this agency. 				
665	State Fair Association				
	<ul style="list-style-type: none"> No major changes were identified for this agency. 				
670	Racing Commission				
	<ul style="list-style-type: none"> No major changes were identified for this agency. 				
NATURAL RESOURCES					
701	State Historical Society				
	<ul style="list-style-type: none"> Removes the following FTE positions: <ul style="list-style-type: none"> 1 archivist FTE position 1 exhibit specialist FTE position 1 custodial FTE position Removes temporary employee funding Adds archivist and exhibits specialist FTE positions without funding Adjusts funding for capital assets Removes funding for operating expenses Removes funding for cultural heritage grants 	(3.00)	(\$164,630)		(\$164,630)
			(\$147,986)		(\$147,986)
		2.00			
			(\$76,141)	\$225,000	\$148,859
			(\$25,414)	(\$75,000)	(\$100,414)
			(\$293,454)		(\$293,454)
709	Council on the Arts				
	<ul style="list-style-type: none"> Adds funding for Art for Life program toolkits Removes funding for Bush Foundation grants 			\$100,000	\$100,000
				(\$26,000)	(\$26,000)
720	Game and Fish Department				
	<ul style="list-style-type: none"> Adds funding for operating expenses in the agency's various divisions Adds funding for land habitat and deer depredation Adds funding for grants in the Fisheries Division Adds funding for grants in the Conservation and Communications Division Adds funding for noxious weed control Adds funding for land habitat and deer depredation Adds funding for grants in the Wildlife Division 			\$1,644,186	\$1,644,186
				\$380,260	\$380,260
				\$491,000	\$491,000
				\$840,000	\$840,000
				\$120,135	\$120,135
				\$564,121	\$564,121
				\$836,791	\$836,791

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Add funding for operation of boating access at state parks (provided to the Department of Parks and Recreation)			\$122,000	\$122,000
	• Removes funding for capital assets			(\$104,117)	(\$104,117)
	• Adds one-time funding to replace an airplane			\$250,000	\$250,000
750	Parks and Recreation Department				
	• Removes 1 administrative assistant FTE position	(1.00)	(\$116,875)		(\$116,875)
	• Removes funding for seasonal salaries and benefits		(\$586,406)		(\$586,406)
	• Adjusts operating expenses		(\$398,361)	\$1,469,840	\$1,071,479
	• Increases authority to spend funds from the state parks gifts and donations fund			\$230,930	\$230,930
770	State Water Commission				
	• Removes 1 water resource engineer manager FTE position	(1.00)		(\$245,977)	(\$245,977)
	• Adds funding for utility costs			\$895,685	\$895,685
	• Adds funding for Bank of North Dakota loan payments of \$7,449,030			\$3,693,997	\$3,693,997
	• Adds funding for professional services			\$1,792,835	\$1,792,835
	• Removes funding for equipment and operating expenses			(\$528,186)	(\$528,186)
	• Adds project funding from a Bank of North Dakota line of credit			\$50,000,000	\$50,000,000
	• Reduces funding available for projects during the 2017-19 biennium to provide a total of \$639.9 million			(\$200,463,683)	(\$200,463,683)
TRANSPORTATION					
801	Department of Transportation				
	• Removes 21.50 FTE positions	(21.50)		(\$3,427,063)	(\$3,427,063)
	• Removes 5.00 FTE positions (\$658,219) and reduces operating expenses (\$628,400) through consolidation of maintenance sections	(5.00)		(\$1,286,619)	(\$1,286,619)
	• Reduces funding for driver's license service sites			(\$160,293)	(\$160,293)
	• Does not include any general fund support for road projects				

SECTION H - CAPITAL CONSTRUCTION

SUMMARY OF KEY RECOMMENDATIONS	H-1
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EXTRAORDINARY REPAIRS	H-3
CAPITAL CONSTRUCTION LEASE PAYMENTS AND OUTSTANDING BALANCES	H-7
SALES TAX LIMITATION - BOND PAYMENTS	H-15

CAPITAL CONSTRUCTION - SUMMARY OF KEY RECOMMENDATIONS

CAPITAL PROJECTS

The executive budget recommendation includes a total of \$1,123,492,041 for capital projects as reflected on the following schedule:

	General Fund	Special Funds	Total Funds
Major capital projects - See the major new capital construction schedule on page H-2	\$0	\$234,175,500	\$234,175,500
Extraordinary repairs - See the extraordinary repairs schedule on page H-3	0	23,738,062	23,738,062
Department of Transportation - Bond payments	0	900,000	900,000
Department of Transportation - Contractor payments	0	724,530,007	724,530,007
Water projects	0	124,698,442	124,698,442 ¹
Institutions of higher education special assessments	88,074	461,404	549,478
State agency special assessments	174,046	30,000	204,046
Payments in lieu of taxes	50,000	1,363,000	1,413,000 ²
Game and Fish Department land acquisitions	0	800,000	800,000
Other bond payments	11,655,818	827,688	12,483,506
Total	\$11,967,938	\$1,111,524,103	\$1,123,492,041

¹This amount includes funding for construction costs of the Southwest Pipeline Project and the Northwest Area Water Supply Project.

²This amount includes payments in lieu of taxes of approximately \$1,363,000 for Game and Fish Department from special funds and \$50,000 for the Adjutant General from the general fund. This amount does not include payments in lieu of taxes of approximately \$408,000 estimated to be paid by Workforce Safety and Insurance in the 2017-19 biennium under the agency's continuing appropriation for building maintenance.

LEASE PAYMENTS

The executive budget recommendation includes a total of \$11,655,818 from the general fund for 2017-19 biennium lease payments for repayment of notes issued to finance capital projects. Funding is included in the budgets for the North Dakota University System, Department of Corrections and Rehabilitation, Adjutant General, State Department of Health, Office of Management and Budget, Attorney General, State Historical Society, Parks and Recreation Department, branch research centers, Main Research Center, and Veterans' Home.

North Dakota Century Code Section 54-17.2-23 limits the amount of lease payments paid from the general fund for a biennium to 10 percent of an equivalent one-cent sales tax. This maximum for the 2017-19 biennium is estimated to be \$47,250,318 based on projected sales, use, and motor vehicle excise tax collections included in the 2017-19 executive budget.

The executive budget recommendation does not include any capital projects funded through bonded indebtedness that affect the bonding limit.

Please see the **CAPITAL CONSTRUCTION SCHEDULE OF LEASE PAYMENTS AND OUTSTANDING PRINCIPAL BALANCES** for additional information.

**MAJOR NEW CAPITAL CONSTRUCTION EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2017-19 BIENNIUM
COMPARED TO 2015-17 LEGISLATIVE APPROPRIATIONS**

Bill No.	Agency or Institution	Project	2017-19 Executive Budget Recommendations			2015-17 Legislative Appropriations		
			General Fund	Special Funds	Bonding	General Fund	Special Funds	Bonding
HB 1075	Office of Management and Budget (110)	Surplus property building		\$800,000				
SB 2063	University of North Dakota (UND) (230)	Chester Fritz Library renovation College of Business renovation and addition		21,000,000 70,000,000				
SB 2063	North Dakota State University (NDSU) (235)	New residence hall (revenue bonds) University Village replacement - Phase I (revenue bonds)			39,505,000 10,000,000			
SB 2063	Valley City State University (242)	Communications and fine arts building (strategic investment and improvements fund)		25,470,500				
SB 2066	Aeronautics Commission	Shelter building and security at the International Peace Garden Airport		100,000				
HB 1076	Adjutant General (540)	Federal construction estimate ND National Guard Readiness Center		30,000,000 33,000,000				
HB 1077	Game and Fish Department (720)	State Fair shooting skills building		300,000				
HB 1072	Department of Transportation (801)	Land and buildings		4,000,000				
Total 2017-19 executive budget recommendation			<u>\$0</u>	<u>\$184,670,500</u>	<u>\$49,505,000</u>			
Total 2015-17 legislative appropriations						<u>\$119,460,886</u> ¹	<u>\$115,405,216</u> ¹	<u>\$22,500,000</u> ¹

¹ Represents the total original appropriation for major new capital construction provided by the 2015 Legislative Assembly and does not reflect any project funding reductions made as a result of the August 2016 budget reductions. Please refer to the Legislative Council's *State Budget Actions for the 2015-17 Biennium* report for details regarding the 2015-17 appropriations. The 2015 Legislative Assembly authorized the State Board of Higher Education to issue \$22.5 million of revenue bonds.

EXTRAORDINARY REPAIRS EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2017-19 BIENNIUM

The executive budget recommendation includes the following extraordinary repairs:

Agency or Institution	2017-19 Executive Budget Recommendations		
	General Fund	Special Funds	Total
Office of Management and Budget (110)			
Electrical improvements and small projects	\$25,777	\$238,535	\$264,312
Mechanical upgrades	82,289	761,465	843,754
Total - Office of Management and Budget	<u>\$108,066</u>	<u>\$1,000,000</u>	<u>\$1,108,066</u>
Bismarck State College (227)			
Building exterior	\$317,673		\$317,673
Utilities and infrastructure	100,000		100,000
Total - Bismarck State College	<u>\$417,673</u>		<u>\$417,673</u>
Lake Region State College (228)			
Miscellaneous projects	\$155,367		\$155,367
Total - Lake Region State College	<u>\$155,367</u>		<u>\$155,367</u>
Williston State College (229)			
Miscellaneous projects	\$197,801		\$197,801
Total - Williston State College	<u>\$197,801</u>		<u>\$197,801</u>
University of North Dakota (230)			
Campus repairs and projects	\$4,411,566		\$4,411,566
Total - University of North Dakota	<u>\$4,411,566</u>		<u>\$4,411,566</u>
North Dakota State University (235)			
Campus repairs and projects	\$2,732,244		\$2,732,244
Total - North Dakota State University	<u>\$2,732,244</u>		<u>\$2,732,244</u>
North Dakota State College of Science (238)			
Building exterior	112,379		\$112,379
Mechanical and electrical upgrade	\$600,000		\$600,000
Structural repairs	300,000		300,000
Total - North Dakota State College of Science	<u>\$1,012,379</u>		<u>\$1,012,379</u>
Dickinson State University (239)			
Campus repairs and projects	\$409,078		\$409,078
Total - Dickinson State University	<u>\$409,078</u>		<u>\$409,078</u>
Mayville State University (240)			
Campus repairs and projects	\$358,992		\$358,992
Total - Mayville State University	<u>\$358,992</u>		<u>\$358,992</u>

Agency or Institution	2017-19 Executive Budget Recommendations		
	General Fund	Special Funds	Total
Minot State University (241)			
Campus repairs and projects	\$899,620		\$899,620
Total - Minot State University	\$899,620		\$899,620
Valley City State University (242)			
Campus repairs and projects	\$408,319		\$408,319
Total - Valley City State University	\$408,319		\$408,319
Dakota College at Bottineau (243)			
Mechanical and electrical upgrades	\$50,000		\$50,000
Miscellaneous projects	28,539		28,539
Total - Dakota College at Bottineau	\$78,539		\$78,539
Forest Service (244)			
Interior finishes - Lisbon Office	\$62,480		\$62,480
Total - Forest Service	\$62,480		\$62,480
School for the Deaf (252)			
Extraordinary repair allocation	\$158,678		\$158,678
Smith building renovations and master facility plan improvements		\$1,500,000	1,500,000
Total - School for the Deaf	\$158,678	\$1,500,000	\$1,658,678
North Dakota Vision Services - School for the Blind (253)			
Base budget extraordinary repairs	\$39,192		\$39,192
Carpet replacement and reception upgrade		\$30,000	30,000
HVAC unit upgrade		27,000	27,000
Replace roof top air unit on east wing		8,500	8,500
Replace water line from the building to the street		60,000	60,000
Total - North Dakota Vision Services - School for the Blind	\$39,192	\$125,500	\$164,692
State Department of Health (301)			
Add north laboratory to the generator		\$32,000	\$32,000
Carpet laboratory office and vestibule		15,000	15,000
Connect annex air conditioning	\$25,000		25,000
Flush, repair control valves, refill hot water heat system	1,000		1,000
Gutter covers for cold storage		4,000	4,000
Install HVAC ductwork east mechanical room		2,000	2,000
Install fix to prevent freeze up of HVAC in winter		5,500	5,500
Install fix to prevent overheat of condenser coils		1,550	1,550
Install knee holes at benches per ergo consult		17,500	17,500
Install unified RO systems		25,000	25,000
Landscape: replace shelter belt die off, sidewalks		4,800	4,800
Pallet racking for storage		5,000	5,000
Repair Laboratory 310 to accommodate instrumentation		12,500	12,500
Reweatherstrip exterior doors		1,000	1,000

2017-19 Executive Budget Recommendations

Agency or Institution	General Fund	Special Funds	Total
Recarpet office areas		10,000	10,000
Repair driveway and park lot - Including restriping		26,500	26,500
Repair and paint annex walls - Centers for Disease Control and Prevention review		10,000	10,000
Repair and enhance air conditioning in annex instrument rooms		10,000	10,000
Repair and reinstall front wooden ETC sign		1,000	1,000
Repair and strip wax tile flooring		5,000	5,000
Replace boiler in north laboratory		25,000	25,000
Replace humidifier in north laboratory	10,650	14,350	25,000
Replace laboratory window	2,866	134	3,000
Replace northwest atrium window		3,000	3,000
Replace south air conditioning condenser	3,000		3,000
Replace and update signage in front of building		5,500	5,500
Upgrade burgler alarm system		1,500	1,500
Upgrade data system for HVAC controls	20,000		20,000
Total - State Department of Health	\$62,516	\$237,834	\$300,350
Department of Human Services (325)			
Building repairs - Human service centers	\$39,600		\$39,600
Various projects - State Hospital	377,464		377,464
Replace elevator - State Hospital	267,500		267,500
Repair skylight - State Hospital	449,534		449,534
Various projects - Life Skills and Transition Center	245,400		245,400
Seal parking lot - Life Skills and Transition Center	130,967		130,967
Card access upgrade - Life Skills and Transition Center	15,000		15,000
Asbestos abatement - Life Skills and Transition Center	60,000		60,000
Window repalcement - Life Skills and Transition Center	225,000		225,000
Total - Department of Human Services	\$1,810,465		\$1,810,465
Department of Corrections and Rehabilitation (530)			
James River Correctional Center extraordinary repairs	\$406,000		\$406,000
North Dakota State Penitentiary extraordinary repairs	460,000		460,000
Roughrider Industries extraordinary repairs		\$80,000	80,000
Total - Department of Corrections and Rehabilitation	\$866,000	\$80,000	\$946,000
North Dakota State University Main Research Center (640)			
Building exterior repair	\$268,093		\$268,093
Interior repair	268,093		268,093
Mechanical and electrical repair	268,093		268,093
Paving and area lighting	134,046		134,046
Structural repair	134,047		134,047
Utilities and infrastructure	268,093		268,093
Total - North Dakota State University Main Research Center	\$1,340,465		\$1,340,465
State Historical Society (701)			
Miscellaneous repairs and maintenance	\$478,857		\$478,857
Total - State Historical Society	\$478,857		\$478,857

2017-19 Executive Budget Recommendations

Agency or Institution	General Fund	Special Funds	Total
Game and Fish Department (720)			
Department facility repairs		\$1,190,786	\$1,190,786
Fishing area projects		1,257,000	1,257,000
Grant-gift-donation projects		25,004	25,004
Lonetree improvements		50,000	50,000
Outdoor skills area - State Fair		30,000	30,000
Salmon building lighting		130,000	130,000
Save out lakes (PLI improvement)		308,551	308,551
Wildlife management area improvements		653,170	653,170
Total - Game and Fish Department		\$3,644,511	\$3,644,511
Parks and Recreation Department (750)			
Beaver Lake State Park repairs and maintenance	\$70,000	\$35,000	\$105,000
Cross Ranch State Park repairs and maintenance	95,000		95,000
Department-wide projects	232,794	90,000	322,794
Fort Abraham Lincoln State Park repairs and maintenance	65,000	64,126	129,126
Fort Ransom State Park repairs and maintenance	10,000		10,000
Fort Stevenson State Park repairs and maintenance	115,000		115,000
Grahams Island State Park repairs and maintenance	20,000	5,000	25,000
Icelandic State Park repairs and maintenance	110,000		110,000
Lake Metigoshe State Park repairs and maintenance	80,000		80,000
Lake Sakakawea State Park repairs and maintenance	45,000		45,000
Lewis and Clark State Park repairs and maintenance	70,000		70,000
Little Missouri Bay State Park repairs and maintenance	10,000		10,000
Turtle River State Park repairs and maintenance	25,000		25,000
Total - Parks and Recreation Department	\$947,794	\$194,126	\$1,141,920
Total 2017-19 executive budget recommendation - Extraordinary repairs	\$16,956,091	\$6,781,971	\$23,738,062

**CAPITAL CONSTRUCTION SCHEDULE OF
LEASE PAYMENTS AND OUTSTANDING PRINCIPAL BALANCES**

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
1993 Legislative Assembly approved:									
North Dakota University System - Various capital construction projects, including handicapped accessibility projects and special assessments (\$8,423,061)	2012 Series A facilities improvement refunding bonds used to refund the 2002 Series C lease revenue refunding bonds used to refund	\$13,333,061 ¹	\$10,665,000	\$969,000	\$0	\$0	\$0	\$0	\$0
Minot State University - Memorial Library renovation (\$2,550,000)	1993 Series B State Building Authority revenue bonds (.20% to 2% - 10-year bonds) (2013)								
Job Service North Dakota - Grand Forks office building (\$1,735,000)									
Adjutant General - Grand Forks Armory (\$375,000)									
Youth Correctional Center - Building demolition and asbestos removal (\$250,000)									
1995 Legislative Assembly approved:									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
Bismarck State College - Science and mathematics center (\$8,060,000)	2012 Series A facilities improvement refunding bonds used to refund the 2002 Series D lease revenue refunding bonds used to refund 1995 Series A State Building Authority revenue bonds (.20% to 2% - 10-year bonds) (2015)	15,326,769 ²	16,425,000	2,566,273	1,283,975	0	1,265,000	0	0
University of North Dakota (UND) - Abbott Hall renovations (\$2,371,769)									
North Dakota State University (NDSU) - Emission control renovations on power plant (\$2,145,000)									
Dickinson State University - Klinefelter Hall renovations (\$2,750,000)									
1997 Legislative Assembly approved:									
North Dakota State College of Science - Bute Gym remodeling (\$1,700,000)	2006 Series A State Building Authority refunding revenue bonds (4.4% to 5.125% - 20-year bonds) - Used to refund 1998 Series A and 2000 Series A (2020)	10,782,500 ^{3,4}	9,750,000	1,962,276	1,974,750	1,377,801	4,140,000	2,340,000	370,000
Minot State University - Moore Hall renovation (\$4,000,000)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
Department of Corrections and Rehabilitation - Youth Correctional Center gymnasium renovation (\$1,400,000) 1999 Legislative Assembly approved: NDSU - Animal facility (\$2,207,500) Youth Correctional Center - Pine Cottage (\$1,475,000) 1999 Legislative Assembly approved: Williston State College - Health and Wellness Center (\$3,000,000)	2006 Series B State Building Authority revenue refunding bonds (4.15% - 16-year bonds) - Used to refund a portion of the 2001 Series A State Building Authority revenue bonds (2022) - Remaining 2001 Series A State Building Authority revenue bonds (4.13% to 4.35%) (2010)	10,850,000 ⁵	9,770,000	2,084,799	2,111,612	2,126,367	6,870,000	5,260,000	3,495,000

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
2001 Legislative Assembly approved: Minot State University - Old Main renovation (\$7,850,000)									
2001 Legislative Assembly approved: State Department of Health - Laboratory addition (\$2,700,000) Job Service North Dakota - Bismarck service delivery office (\$2,302,000)	2010 Series A and 2010 Series B bonds refunded the 2002 Series A State Building Authority revenue bonds (2% to 4% - 12-year bonds) (2022)	5,002,000 ⁶	6,035,000	924,757	919,814	917,144	3,190,000	2,470,000	1,710,000
2003 Legislative Assembly approved: State Department of Health - Morgue and storage annex (\$960,000) Department of Correc- tions and Rehabilitation - James River Correctional Center food service/laundry renovations - Phase II (\$2,662,890) Dickinson State University - Murphy Hall - Phase I addition (\$5,882,047)	2012 Series A facilities improvement refunding bonds used to refund the 2003 Series B State Building Authority revenue bonds (.20% to 2% - 10-year bonds) (2021)	11,645,237 ⁷	13,080,000 ⁸	1,765,536	1,786,849	1,793,177	5,825,000	4,250,000	2,610,000

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
Mayville State University - Steamline replacement - Phase II (\$1,355,000) Valley City State University - Graichen Gymnasium elevator and emergency exits (\$785,300) 2005 Legislative Assembly approved: Office of Management and Budget - Fire suppression system (\$3,155,000) Attorney General's office - Crime Laboratory addition and renovation (\$3,632,691) NDSU - Hazardous material handling and storage facility (\$3,500,000) North Dakota State College of Science - Electrical distribution (\$736,000) Dickinson State College - Murphy Hall (\$4,100,557) Minot State University - Bottineau - Thatcher Hall addition (\$2,500,000)	2005 Series A State Building Authority revenue bonds (4.50% - 20-year bonds) (2025)	28,848,248	37,955,000 ⁹	6,076,689	6,079,476	6,083,706	26,645,000	22,190,000	17,335,000

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
Department of Corrections and Rehabilitation - James River Correctional Center ET Building improvements (\$980,000)									
Department of Corrections and Rehabilitation - James River Correctional Center programs building code improvements (\$584,000)									
North Central Research Center - Agronomy laboratory and greenhouse (\$440,000)									
Central Grasslands Research Center - Office addition (\$270,000)									
Main Research Center - Greenhouse complex (\$2,000,000)									
State Historical Society - Chateau de Mores Interpretive Center (\$1,100,000)									
State Historical Society and Heritage Center - Research collections expansion (\$5,500,000)									
Parks and Recreation Department - Turtle River State Park administrative office (\$350,000)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2015	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019
				2013-15 Actual Payments	2015-17 Estimated Payments	2017-19 Estimated Payments			
2009 Legislative Assembly approved: Veterans' Home (\$2,355,000) - Series A	2010 Series A taxable facilities improvement bonds (recovery zone economic development bonds) (3.5% to 6.25% - 20-year bonds) (2030)	2,355,000	2,355,000	151,437	281,178	404,503 ¹⁰	2,355,000 ¹¹	2,225,000	1,960,000
Veterans' Home - (\$630,000) - Series B	2010 Series B State Building Authority facilities improvement bonds (2% to 4% - 12-year bonds) - Used to fund a portion of the Veterans' Home project and to refund a portion of the 2002 Series A bond - Job Service North Dakota and State Department of Health (2022)	630,000	630,000	266,403	73,680	0	135,000	0	0
Total		\$98,772,815	\$106,665,000	\$16,767,170	\$14,511,334	\$12,702,698	\$50,425,000	\$38,735,000	\$27,480,000
Breakdown of payments				\$15,587,668 ¹²	\$13,513,176 ¹²	\$11,655,816 ¹²			
General fund				1,179,502	998,158	1,046,882			
Agency contributions									
Total				\$16,767,170	\$14,511,334	\$12,702,698			

¹House Bill No. 1020 (1993) included a section stating up to a total of \$1,990,000 from non-general fund sources is to be used to assist in the retirement of the debt incurred to finance the construction projects. A listing of the \$1,990,000 by each entity is:

Institution/Agency	Type of Facility	Total Contributions
Minot State University	Library renovation	\$255,000
Job Service North Dakota	Grand Forks office building	1,735,000
Total		\$1,990,000

In addition to the \$2,550,000 appropriated from bond proceeds for the Minot State University Memorial Library renovation, House Bill No. 1020 also appropriated \$4,800,000 from federal or other funds. The total amount appropriated for the library renovation was \$7,350,000.

Job Service North Dakota makes the entire bond payment, principal and interest, on the \$1,735,000 for the Grand Forks office building.

²Senate Bill No. 2030 (1995) included a section stating up to a total of \$2,206,769 from nongeneral fund sources is to be used to assist in the retirement of the debt incurred to finance the construction projects. A listing of the \$2,206,769 by each institution is:

Institution/Agency	Type of Facility	Total Contributions
Bismarck State College	Science and mathematics center	\$1,060,000
UND	Abbott Hall renovation	871,769
Dickinson State University	Klinefelter Hall renovation	275,000
Total		\$2,206,769

In addition to the \$2,371,769 appropriated from bond proceeds for the UND Abbott Hall renovation, Senate Bill No. 2030 also appropriated \$1,771,769 from federal or other funds. The total amount appropriated for the renovation of Abbott Hall was \$4,143,538.

³Senate Bill No. 2003 (1997) included a section stating that up to a total of \$300,000 from nongeneral fund sources is to be used to assist in the retirement of the debt incurred to finance the renovation of Bute Gym. The bill also authorized an animal research facility at NDSU and a renovation to the Ed James Wing of the medical school building at UND. The NDSU project was delayed until the 1999 legislative session. The UND project was handled through a separate bond issue (see 1998 Series C bond issue).

⁴House Bill No. 1022 (1999) authorized an animal research facility at NDSU, renovation of Pine Cottage at the Youth Correctional Center, and the Health and Wellness Center addition at Williston State College. The Williston State College project is to be handled through a separate bond issue (see 2001 Series A bond issue).

In addition to the \$2,207,500 appropriated from bond proceeds for the NDSU animal research facility, House Bill No. 1022 also appropriated \$2,207,500 of federal or other funds. The total amount appropriated for the animal research facility was \$4,415,000.

In addition to the \$1,475,500 appropriated from bond proceeds for the Youth Correctional Center Pine Cottage project, House Bill No. 1022 also appropriated \$500,000 of federal or other funds. The total amount appropriated for the Pine Cottage project was \$1,975,000.

⁵House Bill No. 1022 (1999) included a section stating up to a total of \$3 million from nongeneral fund sources is to be used to assist in the retirement of the debt incurred to finance the Health and Wellness Center addition at Williston State College. Of the \$3 million, \$1.5 million is to be provided for the project before construction may begin, and the remaining \$1.5 million is to be paid in 10 annual payments of \$150,000. Because \$1.5 million was available prior to construction, the State Building Authority only bonded for \$3 million of the \$4.5 million project. Williston State College paid \$1.5 million by the end of the 2009-11 biennium.

Senate Bill No. 2023 (2001) included a section stating \$2,299,000 must be available from nongeneral fund sources to assist in the retirement of the debt incurred to finance the renovation of Old Main. Minot State University's local responsibility is to be paid in 10 annual payments with each of the first 2 annual payments being \$315,000 and each of the remaining 8 annual payments being \$208,625. Minot State University paid \$2,229,000 by the end of the 2011-13 biennium with \$0 remaining.

⁶Senate Bill No. 2023 (2001) included a section stating \$2,302,000 (Job Service North Dakota) and \$1,755,000 (State Department of Health) must be available from nongeneral fund sources to assist in the retirement of the debt incurred to finance the two projects.

The State Department of Health received authority from the Emergency Commission to receive and spend federal funds in the amount of \$823,878 in the capital improvements line item for the laboratory addition. The request was needed to cover the increase in the per-square footage costs of \$338,817 and for the 1,700 square feet of additional space at \$485,061.

⁷House Bill No. 1023 (2003) appropriated \$4,237,755 of special funds for the issuance of bonds for projects at the State Department of Health and the Department of Corrections and Rehabilitation. Of that amount, \$614,865 for the State Department of Health was paid for with bioterrorism program dollars rather than by bonding.

House Bill No. 1003 (2003) appropriated \$8,022,347 of special funds for the issuance of bonds for three University System projects by the State Building Authority. In addition \$830,000 of capital bond payments from the 2001-03 biennium was used for bond issuance buydown. Dickinson State University also provided \$250,000 during the 2005-07 biennium to assist in the retirement of the bonds.

⁸This bond issuance included funding for the 2003-05 biennium state facility energy improvement program capital project that was recommended to be funded with bond proceeds for the Department of Corrections and Rehabilitation in the amount of \$105,326. Bonds sold to finance the project under this program do not factor in the general fund lease payment limitation and will be repaid with resulting energy cost-savings.

This bond issuance does not include the \$20 million of bonding for the Information Technology Department for ConnectND. These bonds will be repaid from charges collected by the Information Technology Department from higher education and other state agencies for the ConnectND project. In September 2003 the Industrial Commission issued 2003 Series C bonds, totaling \$20 million, at an interest rate of 3.86 percent, for a period of 10 years with annual debt service of approximately \$2.7 million.

This bond issuance does not include the bonding of \$2 million authorized in 2003 Senate Bill No. 2416 for two State Historical Society projects (Chateau de Mores and Fort Abercrombie Interpretive Centers), which are to be paid from federal, local, or donated funds collected by the State Historical Society. The State Building Authority did not issue bonds for these projects because the State Historical Society did not have adequate funding for the debt service.

⁹Senate Bill No. 2023 (2005) included a section stating that \$300,000 must be available from nongeneral fund sources to assist in the retirement of the debt incurred to finance the project costs associated with the construction of the State Historical Society projects. The State Historical Society's \$33,333 biennial payments (nine payments) began with the 2007-09 biennium.

This bond issuance also included funding for the 2005-07 biennium state facility energy improvement capital projects in the amount of \$2,331,554. Bonds sold to finance the projects under this program do not factor in the general fund lease payment limitation and will be repaid with resulting energy cost-savings. The debt service and principal balance for these energy conservation projects are not included in this schedule.

¹⁰2017-19 estimated bond payments for Veterans' Home Series A bond payments total \$404,503 and that number is reflected in 2017 Senate Bill No. 2014. In addition a federal bond subsidy of \$100,028 is paid to the trustee, which is the Bank of North Dakota.

¹¹Interest only payments are made on the Veterans' Home Series A bonds until the Veterans' Home Series B bonds are paid off. The first principal payment on the Series A bonds will be made on December 1, 2016.

¹²North Dakota Century Code Section 54-17.2-23 provided 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax be deposited in the capital construction fund for lease payments associated with capital construction projects. The Legislative Assembly in 1993 repealed the provisions of the capital construction fund and increased the maximum that lease payments can total for a biennium from 10 to 12.5 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax. The Legislative Assembly in 1995 decreased the maximum that lease payments can total for a biennium from 12.5 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax to 11 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax. The Legislative Assembly in 1997 decreased the maximum that lease payments can total for a biennium from 11 percent of a 1 percent sales, use, and motor vehicle excise tax to 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax. The Legislative Assembly in 2001 clarified the statute to provide the computation for the authorized general fund lease payments for a biennium must be based on the projected sales, use, and motor vehicle excise tax collections presented to the Legislative Assembly at the close of the most recently adjourned regular legislative session.

SALES TAX LIMITATION - BOND PAYMENTS

The following table shows the projected fund portion of the bond payments for the 2015-17 through 2023-25 bienniums and what the 10 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax is projected to generate (using the May 2015 legislative forecast for the 2015-17 biennium, using the December 2016 execution budget forecast for the 2017-19 biennium, and using the December 2016 executive budget revenue forecast with a 0 percent growth in sales tax revenues for future bienniums and no prepayments of nongeneral fund amounts):

Biennium	Total Payments	Other Funds	General Fund	10 Percent of the Equivalent of 1 Percent	Estimated Excess General Fund Resources Available for Bond Payments
2015-17	\$14,640,795*	\$1,102,614	\$13,538,181	\$69,711,951	\$56,173,170
2017-19	\$12,802,727*	\$1,146,911	\$11,655,816	\$47,250,318	\$35,594,502
2019-21	\$11,148,742*	\$1,140,293	\$10,008,449	\$47,250,318	\$37,241,869
2021-23	\$8,769,401*	\$840,392	\$7,929,009	\$47,250,318	\$39,321,309
2023-25	\$3,506,027*	\$499,317	\$3,006,710	\$47,250,318	\$44,243,608

*The future biennium bond payments do not reflect any other future bond issues that may be authorized by future Legislative Assemblies. During the 2015-17 biennium, the 2002 Series D portion of the 2012 Series A bond issue will be paid off. During the 2017-19 biennium, the 2006 Series A bond issue will be paid off.

SECTION I - STATE EMPLOYEES

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STATE EMPLOYEES - SUMMARY OF KEY RECOMMENDATIONS

SALARY INCREASES

The 2017-19 executive budget recommendation provides funding for state employee salary increases of 1 percent, effective July 1, 2018. The cost of the salary increase is \$11,858,530, of which \$5,447,422 is from the general fund. Specific language regarding the salary increases is included in Section 11 of 2017 House Bill No. 1075--the appropriation bill for the Office of Management and Budget (OMB).

SALARY UNDERFUNDING

The 2017-19 executive budget recommendation underfunds general fund salary budgets for 10 agencies totaling \$7.9 million. Agencies with underfunded salary budgets include:

Agency	Amount
State Auditor	\$117,118
Tax Commissioner	637,100
North Dakota University System office	578,097
Department of Human Services	5,278,396
Industrial Commission	900,000
Public Service Commission	60,170
Branch research centers	28,620
North Dakota State University Extension Service	37,206
Main Research Center	71,550
Parks and Recreation Department	239,959
Total	\$7,948,216

UNFUNDED POSITIONS

The 2017-19 executive budget recommendation provides for a total of nine positions to be unfunded in three agencies. The total amount of funding related to the unfunded positions is \$1.3 million, of which \$1.2 million is from the general fund. Agencies with positions unfunded include the Highway Patrol (five positions), State Auditor (two positions), and State Historical Society (two positions).

ACCRUED LEAVE PAYOUTS

The 2017-19 executive budget recommendation provides funding for accrued leave payouts totaling \$2.3 million, of which \$1 million is from the general fund and \$1.3 million is from other funds. This funding is available for accrued leave payouts to eligible employees upon retirement or termination of employment.

HIGHER EDUCATION

Prior to the 2017-19 biennium, higher education full-time equivalent (FTE) positions supported from special funds were not reflected in the budget, as the State Board of Higher Education and institutions under its control have continuing appropriation authority for special funds. The 2015 Legislative Assembly amended North Dakota Century Code Section 54-44.1-04 to require higher education entities to enter all budget data in the state's budget system in the same manner as other agencies. This increased the total FTE position count by 4,336.41. The 2017-19 executive recommendation provides for a decrease of general fund supported FTE positions of 315.27. Higher education FTE positions supported from all funds is 6,766.76.

EXECUTIVE BRANCH ELECTED OFFICIALS

The executive budget recommendation provides funding for executive branch elected officials' salary increases equal to 1 percent of salaries, effective July 1, 2018. Statutory changes necessary to adjust elected officials' salaries are included in the respective elected officials' appropriation bills recommended by the Governor.

JUDICIAL BRANCH

The judicial branch budget request includes funding to provide district court judges' salary increases of 1 percent of salaries, effective July 1, 2018. Salary increases for Supreme Court justices are also 1 percent of salaries, effective July 1, 2018. Salary increases for other employees of the judicial branch are included at the same level as provided for other state employees, or 1 percent of salaries, effective July 1, 2018. Additional increases may be provided to other employees of the judicial branch pursuant to the judicial branch salary schedule as requested by the judicial branch.

HEALTH INSURANCE

The executive budget recommendation continues funding for the cost of health insurance premiums for state employees. The executive budget provides \$1,249.47 per month for employee health insurance, an increase of \$119.25, or 10.6 percent, compared to the 2015-17 biennium premium rate of \$1,130.22 per month. A recent history of monthly health insurance premiums provided for each employee is listed below.

Biennium	Monthly Premium	Percentage Change from Previous Biennium
2001-03	\$409	16.9%
2003-05	\$489	19.6%
2005-07	\$554	13.3%
2007-09	\$658	18.8%
2009-11	\$826	25.5%
2011-13	\$887	7.4%
2013-15	\$982	10.7%
2015-17	\$1,130	15.1%
2017-19 executive recommendation	\$1,249	10.6%

The percentage increase to maintain the existing health insurance plan benefits is 17.4 percent for the 2017-19 biennium. To reduce this percentage increase, the Governor is recommending increasing member out-of-pocket expenses to reduce plan costs by \$49.61 per contract, per month, which would reduce the overall increase by 4.4 percent.

The Governor is also recommending using Public Employees Retirement System (PERS) health insurance reserves to pay an additional \$27.31 of premiums per contract, per month, which would reduce the overall increase by 2.45 percent. The Governor is using approximately \$18.0 million of the estimated \$35.0 million in health insurance reserve funds to reduce the premium rate increase. Of the \$18.0 million utilized, \$10.5 million relates to state employee health insurance plans, \$4.4 million relates to political subdivisions, and \$3.1 million relates to retiree health plans.

EMPLOYEE ASSISTANCE PROGRAM

The monthly rate for the employee assistance program remains at \$1.54 per month, or \$18.48 annually.

LIFE INSURANCE

The monthly rate for life insurance provided to state employees remains at \$0.28 per month, or \$3.36 annually.

UNEMPLOYMENT INSURANCE

Funding is included for unemployment insurance for state employees at a rate of 1 percent of the first \$6,000 of an employee's annual salary (\$60 per year or \$120 per biennium maximum). No unemployment insurance was collected on state employee salaries during the 2013-15 and 2015-17 bienniums.

TOTAL COMPENSATION CHANGES COST

The schedule below provides the total cost of major compensation changes recommended in the 2017-19 executive budget.

	General Fund	Special Funds	Total
Salary increase of 1 percent, effective July 1, 2018	\$5,447,422	\$6,411,108	\$11,858,530
Health insurance premium increases	20,924,659	24,626,376	45,551,035
Total	\$26,372,081	\$31,037,484	\$57,409,565

FULL-TIME EQUIVALENT POSITIONS

The 2017-19 executive budget includes a total of 15,937.69 FTE positions, an increase of 4,100.12 FTE positions from the 2015-17 authorized level of 11,837.57 FTE positions. The total number of FTE positions for the 2017-19 biennium now reflects certain higher education positions that were previously not reflected in the budget.

The 2017-19 executive budget recommended FTE level of 15,937.69 is an overall decrease of 551.56 FTE positions compared to the adjusted 2015-17 biennium total, including a decrease of 315.27 FTE positions in higher education and a decrease of 215.61 FTE positions in all other state agencies.

The reduction of 215.61 FTE positions resulted in a decrease of \$29.0 million, of which \$15.9 million is from the general fund.

Major changes in FTE positions, excluding higher education, are as follows:

Agency Increases	2015-17 Authorized FTE Positions	2017-19 Executive Budget	Increase
301 - State Department of Health	365.00	381.00	16.00
530 - Department of Corrections and Rehabilitation	836.29	846.29	10.00
475 - Mill and Elevator Association	147.00	153.00	6.00

Agency Decreases	2015-17 Authorized FTE Positions	2017-19 Executive Budget	(Decrease)
380 - Job Service North Dakota	237.76	181.61	(56.15)
180 - Judicial branch	391.00	354.50	(36.50)
640 - Main Research Center	361.12	336.12	(25.00)
405 - Industrial Commission	121.75	105.25	(16.50)
125 - Attorney General	250.00	234.00	(16.00)
630 - North Dakota State University Extension Service	265.98	252.98	(13.00)
627 - Upper Great Plains Transportation Institute	54.98	43.88	(11.10)
628 - Branch research centers	120.29	110.29	(10.00)

**ANALYSIS OF NEW FTE POSITIONS OR REDUCTIONS IN EXISTING FTE POSITIONS
RECOMMENDED IN THE 2017-19 EXECUTIVE BUDGET**

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
GENERAL GOVERNMENT							
18.00	18.00	0.00	101 - Governor's office				18.00
34.00	33.00	(1.00)	108 - Secretary of State				34.00
			Removes:				
			(1.00) undesignated FTE position	(\$104,445)	\$0	(\$104,445)	
122.50	119.00	(3.50)	110 - Office of Management and Budget				119.00
			Removes:				
			(3.50) FTE positions, including 1.5 administrative assistant FTE positions, 1 computer and networking specialist FTE position, and 1 maintenance FTE position	(\$268,321)	\$0	(\$268,321)	
350.30	349.30	(1.00)	112 - Information Technology Department				350.30
			Removes:				
			(1.00) Educational Technology Council Director FTE position	(\$300,000)	\$0	(\$300,000)	
59.80	53.80	(6.00)	117 - State Auditor				61.80
			Removes:				
			(4.00) FTE positions from the Division of State Audits	(\$541,000)	\$0	(\$541,000)	
			(2.00) FTE positions from the NDUS Performance Audit Division	0	0	0 ²	
			(6.00)	(\$541,000)	\$0	(\$541,000)	
8.00	8.00	0.00	120 - State Treasurer				8.00
250.00	234.00	(16.00)	125 - Attorney General				247.00
			Removes:				
			(5.00) vacant FTE positions		(\$17,808)	(\$17,808)	
			(11.00) FTE positions from the following divisions:	(\$638,852)	(44,258)	(683,110)	
			(3.00) - FTE positions from finance and administration				
			(1.00) - FTE position from civil litigation				
			(4.00) - FTE positions from the Bureau of Criminal Investigation				
			(3.00) - FTE positions from the State Crime Laboratory				
			(16.00)	(\$638,852)	(\$62,066)	(\$700,918)	
136.00	133.00	(3.00)	127 - Tax Department				136.00
			Removes:				
			(3.00) FTE positions, including 1 tax service specialist FTE position, 1 document imaging specialist FTE position, and 1 administrative assistant FTE position	\$0	\$0	\$0 ²	
5.00	5.00	0.00	140 - Office of Administrative Hearings				5.00

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
37.00	36.00	(1.00)	160 - Legislative Council				36.00
			Removes:				
			(1.00) fiscal analyst FTE position	\$0	\$0	\$0 ²	
391.00	354.50	(36.50)	180 - Judicial branch				354.50
			Removes:				
			(3.00) FTE referees	(\$911,779)	\$0	(\$911,779)	
			(3.00) FTE court reporters	(409,064)	0	(409,064)	
			(2.00) FTE calendar control clerks	(327,710)	0	(327,710)	
			(5.00) FTE administrative assistants - District court and juvenile court	(734,580)	0	(734,580)	
			(1.00) FTE assistant district court administrator	(240,182)	0	(240,182)	
			(8.00) FTE juvenile court officers	(1,637,025)	0	(1,637,025)	
			(3.00) FTE law clerks	(568,078)	0	(568,078)	
			(3.00) FTE deputy clerks	(361,638)	0	(361,638)	
			(1.00) FTE citizen access paralegal	(153,904)	0	(153,904)	
			(1.00) FTE assistant state court administrator	(310,056)	0	(310,056)	
			(1.00) FTE technology support specialist	(175,200)	0	(175,200)	
			(1.00) FTE technology coordinator	(164,121)	0	(164,121)	
			(2.00) FTE administrative assistants - Supreme Court	(355,884)	0	(355,884)	
			(1.00) FTE law library assistant - Supreme Court	(141,271)	0	(141,271)	
			(0.50) FTE deputy clerk - Supreme Court	(66,407)	0	(66,407)	
			(1.00) FTE guardian project manager - Supreme Court	(215,174)	0	(215,174)	
			<u>(36.50)</u>	<u>(\$6,772,073)</u>	<u>\$0</u>	<u>(\$6,772,073)</u>	
40.00	40.00	0.00	188 - Commission on Legal Counsel for Indigents				43.00
19.00	19.00	0.00	190 - Retirement and Investment Office				19.00
34.50	34.50	0.00	192 - Public Employees Retirement System				34.50
<u>1,505.10</u>	<u>1,437.10</u>	<u>(68.00)</u>	TOTAL GENERAL GOVERNMENT	<u>(\$8,624,691)</u>	<u>(\$62,066)</u>	<u>(\$8,686,757)</u>	<u>1,466.10</u>
			OTHER EDUCATION				
99.75	97.75	(2.00)	201 - Department of Public Instruction				97.75
			Removes:				
			(1.00) multimedia developer I FTE position	(\$133,759)	\$0	(\$133,759)	
			(1.00) administrative assistant III FTE position	(123,543)	0	(123,543)	
			<u>(2.00)</u>	<u>(\$257,302)</u>	<u>\$0</u>	<u>(\$257,302)</u>	
33.00	32.00	(1.00)	226 - Department of Trust Lands				33.00
			Removes:				
			(1.00) Director of natural resources FTE position	\$0	(\$259,307)	(\$259,307)	
			(1.00) energy infrastructure and impact office FTE position	0	(151,237)	(151,237)	
			Adds:				
			1.00 geographic information system specialist FTE position	0	200,105	200,105	

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General	Other	Total	
				Fund	Funds		
			(1.00)				
29.75	29.75	0.00	250 - State Library				29.75
45.61	45.61	0.00	252 - School for the Deaf				45.61
30.00	29.50	(0.50)	253 - North Dakota Vision Services - School for the Blind				29.50
			Removes:				
			(0.50) vision rehabilitation specialist II FTE position	\$0	\$0	\$0	²
26.50	25.50	(1.00)	270 - State Board for Career and Technical Education				25.50
			Removes:				
			(1.00) assistant supervisor FTE position	\$0	\$0	\$0	²
<u>264.61</u>	<u>260.11</u>	<u>(4.50)</u>	TOTAL OTHER EDUCATION	<u>(\$257,302)</u>	<u>(\$210,439)</u>	<u>(\$467,741)</u>	<u>261.11</u>
			HEALTH AND WELFARE				
365.00	381.00	16.00	301 - State Department of Health				364.00
			Removes:				
			(1.00) FTE position from the Water Quality Division	(\$145,569)	\$0	(\$145,569)	
			Adds:				
			1.00 Medical Marijuana Division program administrator VI FTE position	70,655	176,651	247,306	
			1.00 Medical Marijuana Division program administrator III FTE position	41,574	103,943	145,517	
			1.00 Medical Marijuana Division program administrator III FTE position	41,574	103,943	145,517	
			1.00 Medical Marijuana Division office assistant II FTE position	25,480	63,706	89,186	
			1.00 Medical Marijuana Division office assistant III FTE position	27,112	67,786	94,898	
			1.00 Medical Marijuana Division office assistant III FTE position	27,112	67,786	94,898	
			1.00 Medical Marijuana Division office assistant II FTE position	25,480	63,706	89,186	
			1.00 Medical Marijuana Division administrative assistant II FTE position	33,178	82,952	116,130	
			1.00 Medical Marijuana Division administrative assistant II FTE position	33,178	82,952	116,130	
			1.00 Medical Marijuana Division data processing coordinator III FTE position	41,574	103,943	145,517	
			1.00 Medical Marijuana Division auditor III FTE position	44,690	111,734	156,424	
			1.00 Medical Marijuana Division FTE position pending classification	38,869	97,180	136,049	
			1.00 Medical Marijuana Division FTE position pending classification	38,869	97,180	136,049	
			1.00 Medical Marijuana Division FTE position pending classification	38,869	97,180	136,049	
			1.00 Medical Marijuana Division FTE position pending classification	38,869	97,180	136,049	
			1.00 Medical Marijuana Division FTE position pending classification	41,574	103,943	145,517	
			1.00 Medical Marijuana Division FTE position pending classification	38,869	97,180	136,049	
			<u>16.00</u>	<u>\$501,957</u>	<u>\$1,618,945</u>	<u>\$2,120,902</u>	
8.00	0.00	(8.00)	305 - Tobacco Prevention and Control Executive Committee				9.00
			Removes:				
			(8.00) Tobacco Prevention and Control Committee FTE positions	\$0	(\$2,108,912)	(\$2,108,912)	
120.72	120.72	0.00	313 - Veterans' Home				120.72

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
5.00	4.00	(1.00)	316 - Indian Affairs Commission				4.00
			Removes:				
			(1.00) Education Program Administrator FTE position	(\$109,850)	\$0	(\$109,850)	
9.00	9.00	0.00	321 - Department of Veterans' Affairs				10.00
2,211.08	2,204.23	(6.85)	325 - Department of Human Services				2,204.23
			Adds:				
			1.00 FTE Health and Human Services Program Administrator IV	\$48,174	\$144,523	\$192,697	
			1.00 FTE Health and Human Services Program Administrator IV	48,174	144,523	192,697	
			1.00 FTE Health and Human Services Program Administrator IV	92,377	92,377	184,754	
			1.00 FTE Health and Human Services Program Administrator IV	92,377	92,377	184,754	
			1.00 FTE Human Services Program Specialist	62,764	62,764	125,528	
			1.00 FTE Health and Human Services Program Administrator IV	0	96,349	96,349	
			1.00 FTE Administrative Assistant I	28,449	85,347	113,796	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	25,925	77,776	103,701	
			1.00 Medical Claims Services Specialist I	27,007	81,021	108,028	
			1.00 Medical Claims Services Specialist I	27,007	81,021	108,028	
			1.00 Medical Claims Services Specialist I	27,007	81,021	108,028	
			1.00 Health and Human Services Program Administrator III	95,304	97,854	193,158	
			<u>17.00</u>	<u>\$ 704,190</u>	<u>\$ 1,525,833</u>	<u>\$ 2,230,023</u>	
			Removes:				
			(0.40) FTE Physical Therapist	(\$64,231)	\$0	(\$64,231)	
			(0.50) FTE Registered Nurse II	(111,121)	0	(111,121)	
			(1.00) FTE Direct Care Associate II	(637)	(98,884)	(99,521)	
			(0.75) FTE Direct Care Associate II	(227)	(35,289)	(35,516)	
			(1.00) FTE Direct Care Associate I	(637)	(98,884)	(99,521)	
			(0.20) FTE Unit Program Coordinator	(171)	(26,617)	(26,788)	
			(1.00) FTE Unit Program Coordinator	(1,030)	(159,918)	(160,948)	
			(1.00) FTE Direct Care Associate II	(637)	(98,884)	(99,521)	
			(1.00) FTE Direct Care Associate I	(637)	(98,884)	(99,521)	
			(1.00) FTE Direct Care Associate II	(637)	(98,884)	(99,521)	
			(1.00) FTE Direct Care Associate II	(637)	(98,884)	(99,521)	
			(1.00) FTE Direct Care Associate III	(433)	(67,235)	(67,668)	
			(1.00) FTE Direct Care Supervisor	(880)	(136,671)	(137,551)	
			(1.00) FTE Direct Care Associate I	(535)	(83,012)	(83,547)	
			(1.00) FTE Health and Human Services Program Administrator IV	(44,117)	(163,004)	(207,121)	

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
			(1.00) FTE Security Officer I	(114,819)	0	(114,819)	
			(10.00) FTE Direct Care Associate I	(1,018,270)	0	(1,018,270)	
			<u>(23.85)</u>	<u>(\$1,359,656)</u>	<u>(\$1,265,050)</u>	<u>(\$2,624,706)</u>	
<u>2,211.08</u>	<u>2,204.23</u>	<u>(6.85)</u>	Department of Human Services subtotal	<u>(\$655,466)</u>	<u>\$260,783</u>	<u>(\$394,683)</u>	<u>2,204.23</u>
27.50	27.50	0.00	360 - Protection and Advocacy Project				27.50
237.76	181.61	(56.15)	380 - Job Service North Dakota				181.61
			Removes:				
			<u>(56.15)</u> undesignated FTE positions	<u>\$0</u>	<u>(\$8,121,744)</u>	<u>(\$8,121,744)</u>	
<u>2,984.06</u>	<u>2,928.06</u>	<u>(56.00)</u>	TOTAL HEALTH AND WELFARE	<u>(\$263,359)</u>	<u>(\$8,350,928)</u>	<u>(\$8,614,287)</u>	<u>2,921.06</u>
			REGULATORY				
49.50	47.00	(2.50)	401 - Insurance Department				47.00
			Removes				
			(1.00) FTE senior insurance company examiner	\$0	(\$264,814)	(\$264,814)	
			(0.50) FTE office assistant	0	(67,899)	(67,899)	
			(1.00) other not classified FTE position	0	(292,332)	(292,332)	
			<u>(2.50)</u>	<u>\$0</u>	<u>(\$625,045)</u>	<u>(\$625,045)</u>	
116.75 ³	105.25	(11.50)	405 - Industrial Commission				114.25
			Removes:				
			<u>(11.50)</u> engineering technicians and other FTE positions	<u>(\$1,016,027)</u>	<u>\$0</u>	<u>(\$1,016,027)</u>	
15.00	14.00	(1.00)	406 - Department of Labor and Human Rights				14.00
			Removes:				
			<u>(1.00)</u> FTE administrative assistant I	<u>(\$52,998)</u>	<u>\$0</u>	<u>(\$52,998)</u>	
46.00	45.00	(1.00)	408 - Public Service Commission				46.00
			Adds:				
			<u>1.00</u> Temporary railroad inspector position converted to FTE	<u>\$0</u>	<u>\$35,966</u>	<u>\$35,966</u>	
			Removes:				
			(1.00) compliance officer FTE position	(\$145,956)	\$0	(\$145,956)	
			(1.00) audit technician FTE position	(146,008)	0	(146,008)	
			<u>(1.00)</u>	<u>(\$291,964)</u>	<u>\$35,966</u>	<u>(\$255,998)</u>	
7.00	7.00	0.00	412 - Aeronautics Commission				7.00
30.00	30.00	0.00	413 - Department of Financial Institutions				30.00

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
9.00	9.00	0.00	414 - Securities Department				9.00
181.50	181.50	0.00	471 - Bank of North Dakota				181.50
46.00	46.00	0.00	473 - Housing Finance Agency				46.00
147.00	153.00	6.00	475 - Mill and Elevator Association				153.00
			Adds:				
			2.00 grain handling FTE positions	\$0	\$230,560	\$230,560	
			2.00 food safety FTE positions	0	275,804	275,804	
			1.00 flour packer FTE position	0	135,583	135,583	
			1.00 utility worker FTE position	0	126,946	126,946	
			<u>6.00</u>	<u>\$0</u>	<u>\$768,893</u>	<u>\$768,893</u>	
260.14	260.14	0.00	485 - Workforce Safety and Insurance				260.14
<u>907.89</u>	<u>897.89</u>	<u>(10.00)</u>	TOTAL REGULATORY	<u>(\$1,360,989)</u>	<u>\$179,814</u>	<u>(\$1,181,175)</u>	<u>907.89</u>
			PUBLIC SAFETY				
215.00	206.00	(9.00)	504 - Highway Patrol				206.00
			Removes:				
			(1.00) FTE Highway Patrol Officer I	(\$150,122)	(\$21,446)	(\$171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,466)	(171,588)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			(1.00) FTE Highway Patrol Officer I	(150,122)	(21,446)	(171,568)	
			<u>(9.00)</u>	<u>(\$1,351,098)</u>	<u>(\$193,034)</u>	<u>(\$1,544,132)</u>	
836.29	846.29	10.00	530 - Department of Corrections and Rehabilitation				836.29
			Adds:				
			10.00 Youth Correctional Center security FTE positions	\$1,258,076	\$0	\$1,258,076	
234.00	234.00	0.00	540 - Adjutant General				234.00
<u>1,285.29</u>	<u>1,286.29</u>	<u>1.00</u>	TOTAL PUBLIC SAFETY	<u>(\$93,022)</u>	<u>(\$193,034)</u>	<u>(\$286,056)</u>	<u>1,276.29</u>
			AGRICULTURE AND ECONOMIC DEVELOPMENT				
69.40	66.40	(3.00)	601 - Department of Commerce				69.40
			Removes:				
			(1.00) administrative assistant FTE position	(\$100,503)	(\$69,842)	(\$170,345)	

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General	Other	Total	
				Fund	Funds		
			(1.00) program assistant FTE position	(127,138)	(1,284)	(128,422)	
			(1.00) nonclassified FTE position	(46,881)	(133,430)	(180,311)	
			<u>(3.00)</u>	<u>(\$274,522)</u>	<u>(\$204,556)</u>	<u>(\$479,078)</u>	
77.00	75.00	(2.00)	602 - Department of Agriculture				76.00
			Removes:				
			(1.00) administrative assistant I FTE position	(\$106,406)	\$0	(\$106,406)	
			(1.00) agriculture program coordinator FTE position	(185,979)	0	(185,979)	
			<u>(2.00)</u>	<u>(\$292,385)</u>	<u>\$0</u>	<u>(\$292,385)</u>	
54.98 ⁴	43.88	(11.10)	627 - Upper Great Plains Transportation Institute				43.88
			Removes:				
			(0.25) FTE research scientist	(\$81,579)	\$0	(\$81,579)	
			(0.45) FTE general science professional	(100,889)	0	(100,889)	
			(0.40) FTE program administrator	(145,358)	0	(145,358)	
			(0.20) FTE information systems professional	(55,764)	0	(55,764)	
			(9.80) various FTE positions not requested by agency	0	0	0	
			<u>(11.10)</u>	<u>(\$383,590)</u>	<u>\$0</u>	<u>(\$383,590)</u>	
113.94 ⁴	110.29	(3.65)	628 - Branch research centers				110.29
			Adjusts and removes:				
			6.35 FTE position adjustment ⁴	\$0	\$0	\$0	
			(2.00) FTE - Dickinson Research Extension Center	(192,200)	0	(192,200)	
			(1.00) FTE - Central Grasslands Research Extension Center	0	0	0	
			(1.50) FTE - Hettinger Research Extension Center	(128,948)	0	(128,948)	
			(1.00) FTE - Langdon Research Extension Center	(80,000)	0	(80,000)	
			(1.50) FTE - North Central Research Extension Center	(180,000)	0	(180,000)	
			(1.00) FTE - Williston Research Extension Center	(24,760)	0	(24,760)	
			(2.00) FTE - Carrington Research Extension Center	(40,000)	0	(40,000)	
			<u>(3.65)</u>	<u>(\$645,908)</u>	<u>\$0</u>	<u>(\$645,908)</u>	
263.91 ⁴	252.98	(10.93)	630 - North Dakota State University Extension Service				255.98
			Adjusts and removes:				
			2.07 FTE position adjustment ⁴	\$0	\$0	\$0	
			(13.00) various FTE positions	(1,382,000)	0	(1,382,000)	
			<u>(10.93)</u>	<u>(\$1,382,000)</u>	<u>\$0</u>	<u>(\$1,382,000)</u>	
12.00	11.80	(0.20)	638 - Northern Crops Institute				11.80
			Removes:				
			(0.20) FTE position not requested by agency	\$0	\$0	\$0	
353.85 ⁴	336.12	(17.73)	640 - Main Research Center				336.12
			Adjusts and removes:				
			7.27 FTE position adjustment ⁴	\$0	\$0	\$0	

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
			(25.00) various FTE positions	(1,875,065)	0	(1,875,065)	
			<u>(17.73)</u>	<u>(\$1,875,065)</u>	<u>\$0</u>	<u>(\$1,875,065)</u>	
3.00	3.00	0.00	649 - Agronomy Seed Farm				3.00
2.00	2.00	0.00	670 - Racing Commission				2.00
<u>950.08</u>	<u>901.47</u>	<u>(48.61)</u>	TOTAL AGRICULTURE AND ECONOMIC DEVELOPMENT	<u>(\$4,853,470)</u>	<u>(\$204,556)</u>	<u>(\$5,058,026)</u>	<u>908.47</u>
			NATURAL RESOURCES AND HIGHWAYS				
78.00	77.00	(1.00)	701 - State Historical Society				75.00
			Removes:				
			<u>(1.00)</u> custodial FTE position	<u>(\$34,022)</u>	<u>\$0</u>	<u>(\$34,022)</u>	
5.00	5.00	0.00	709 - Council on the Arts				5.00
163.00	163.00	0.00	720 - Game and Fish Department				166.00
66.00	65.00	(1.00)	750 - Parks and Recreation Department				65.00
			Removes:				
			<u>(1.00)</u> administrative assistant FTE position	<u>(\$116,875)</u>	<u>\$0</u>	<u>(\$116,875)</u>	
97.00	96.00	(1.00)	770 - State Water Commission				96.00
			Removes:				
			<u>(1.00)</u> water resource engineer manager FTE position	<u>\$0</u>	<u>(\$248,839)</u>	<u>(\$248,839)</u>	
1,080.50	1,054.00	(26.50)	801 - Department of Transportation				1,054.00
			Removes:				
			(21.50) FTE positions	\$0	(\$3,427,063)	(\$3,427,063)	
			(5.00) FTE positions removed in consolidation of maintenance sections	0	(658,219)	(658,219)	
			<u>(26.50)</u>	<u>\$0</u>	<u>(\$4,085,282)</u>	<u>(\$4,085,282)</u>	
<u>1,489.50</u>	<u>1,460.00</u>	<u>(29.50)</u>	TOTAL NATURAL RESOURCES AND HIGHWAYS	<u>(\$150,897)</u>	<u>(\$4,334,121)</u>	<u>(\$4,485,018)</u>	<u>1,461.00</u>
			SUMMARY TOTALS				
1,505.10	1,437.10	(68.00)	General Government	(\$8,624,691)	(\$62,066)	(\$8,686,757)	1,466.10
264.61	260.11	(4.50)	Other Education	(257,302)	(210,439)	(467,741)	261.11
2,984.06	2,928.06	(56.00)	Health and Welfare	(263,359)	(8,350,928)	(8,614,287)	2,921.06
907.89	897.89	(10.00)	Regulatory	(1,360,989)	179,814	(1,181,175)	907.89
1,285.29	1,286.29	1.00	Public Safety	(93,022)	(193,034)	(286,056)	1,276.29
950.08	901.47	(48.61)	Agriculture and Economic Development	(4,853,470)	(204,556)	(5,058,026)	908.47
1,489.50	1,460.00	(29.50)	Natural Resources and Highways	(150,897)	(4,334,121)	(4,485,018)	1,461.00
<u>9,386.53</u>	<u>9,170.92</u>	<u>(215.61)</u>	TOTAL ALL DEPARTMENTS (EXCLUDING HIGHER EDUCATION)	<u>(\$15,603,730)</u>	<u>(\$13,175,330)</u>	<u>(\$28,779,060)</u>	<u>9,201.92</u>
			HIGHER EDUCATION				
104.39 ⁵	148.40	44.01	215 - North Dakota University System office	\$0	\$0	\$0	148.40

2015-17 FTE Positions	Executive Recommendation 2017-19 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions			2017-19 FTE Positions in Agency Budget Request ¹
				General Fund	Other Funds	Total	
133.53 ⁵	358.35	224.82	227 - Bismarck State College	0	0	0	358.35
50.19 ⁵	129.61	79.42	228 - Lake Region State College	0	0	0	129.61
49.96 ⁵	100.75	50.79	229 - Williston State College	0	0	0	100.75
630.20 ⁵	2,218.07	1,587.87	230 - University of North Dakota	0	0	0	2,218.07
184.58 ⁵	435.75	251.17	232 - University of North Dakota School of Medicine and Health Sciences	0	0	0	435.75
537.10 ⁵	1,895.66	1,358.56	235 - North Dakota State University	0	0	0	1,895.66
168.30 ⁵	345.04	176.74	238 - North Dakota State College of Science	0	0	0	345.04
120.26 ⁵	168.90	48.64	239 - Dickinson State University	0	0	0	168.90
66.23 ⁵	210.53	144.30	240 - Mayville State University	0	0	0	210.53
204.10 ⁵	441.65	237.55	241 - Minot State University	0	0	0	441.65
105.59 ⁵	202.75	97.16	242 - Valley City State University	0	0	0	202.75
46.96 ⁵	84.30	37.34	243 - Dakota College at Bottineau	0	0	0	84.30
28.96 ⁵	27.00	(1.96)	244 - Forest Service	(\$258,332)		(\$258,332)	27.00
<u>2,430.35</u>	<u>6,766.76</u>	<u>4,336.41</u>	TOTAL HIGHER EDUCATION	<u>(\$258,332)</u>	<u>\$0</u>	<u>(\$258,332)</u>	<u>6,766.76</u>
<u>11,816.88</u>	<u>15,937.68</u>	<u>4,120.80</u>	TOTAL ALL DEPARTMENTS (INCLUDING HIGHER EDUCATION)	<u>(\$15,862,062)</u>	<u>(\$13,175,330)</u>	<u>(\$29,037,392)</u>	<u>15,968.68</u>

ANALYSIS OF STATE EMPLOYEE SALARY INCREASES

Year	General Salary Increase Provided or Proposed	Annual Inflation*
1973	5%	6.2%
1974	4%	11.0%
1975	5% (in addition to an 11.9% salary adjustment)	9.1%
1976	5%	5.7%
1977	5%	6.5%
1978	5%	7.6%
1979	6.5%	11.3%
1980	6.5%	13.5%
1981	9% (in addition to a 10% salary adjustment)	10.3%
1982	8% (reduced by Governor's budget allotments)	6.2%
1983	2% contribution to retirement	3.2%
1984	2% contribution to retirement	4.3%
1985	9.5% higher education faculty and senior administrative staff, 5.5% for all other state employees	3.5%
1986	4% with a minimum of \$50 per month; the Governor deferred this increase for agencies under the Governor's control to January 1, 1987	1.9%
1987	0%	3.7%
1988	0%	4.1%
1989	11.4% higher education faculty at the University of North Dakota and North Dakota State University; 9.5% higher education faculty at other 4-year universities; 7.3% higher education faculty at 2-year colleges; 9.1% faculty at the medical school; administrative, professional, and classified employees at the institutions of higher education received increases averaging between 8.7% and 9.7%; 7.1% for all other state employees	4.8%
1990	7% higher education faculty at 4-year universities, 5% higher education faculty at 2-year colleges, 0% all other state employees	5.4%
1991	4% with a minimum of \$50 per month	4.2%
1992	\$40 per month	3.0%
1993	\$60 per month	3.0%
1994	3% (to the extent available from agency savings)	2.6%
1995	2%	2.8%
1996	3% (includes 1% for salary inequity correction and merit increases)	2.9%
1997	3% (includes 1.5% for salary inequity correction and merit increases)	2.3%
1998	3% (includes 1.5% for salary inequity correction and merit increases; in addition, the North Dakota University System received a \$3.2 million pool of funds for the 1997-99 biennium to address salary compression, market, and equity problems)	1.5%
1999	2% with a minimum of \$35 per month - Increases over \$35 were based on merit and equity	2.2%
2000	2% with a minimum of \$35 per month - Increases over \$35 were based on merit and equity. An additional 1% was provided to the extent the increase could be paid with existing agency resources.	3.4%
2001 ¹	3% with a minimum of \$35 per month - Increases over \$35 were based on merit and equity	2.8%
2002 ¹	2% with a minimum of \$35 per month - Increases over \$35 were based on merit and equity	1.6%

Year	General Salary Increase Provided or Proposed	Annual Inflation*
2003	Up to 1% effective on January 1, 2004, for the executive and judicial branches to the extent that the increase could be provided from pooled savings realized from the eliminated full-time equivalent (FTE) positions and from accumulated savings from other vacant FTE positions. At least 70% of the funding for the increase provided was required to be from pooled savings of the eliminated FTE positions. No specific funding was provided to higher education institutions for salary increases, with the intent that any salary increases provided be from existing appropriation authority. The judicial branch eliminated four vacant FTE positions and provided a 1% salary increase to its employees effective January 1, 2004. The executive branch did not receive a salary increase.	2.3%
2004	Up to 2% effective on January 1, 2005, for the executive and judicial branches to the extent that the increase could be provided from pooled savings realized from the eliminated FTE positions and from accumulated savings from other vacant FTE positions. At least 70% of the funding for the increase provided was required to be from pooled savings of the eliminated FTE positions. No specific funding was provided to higher education institutions for salary increases, with the intent that any salary increases provided be from existing appropriation authority. The executive branch and the judicial branch did not eliminate positions to receive salary increases on January 1, 2005.	2.7%
2005	4%	3.4%
2006	4%	3.2%
2007 ²	4% with a minimum of \$75 per month (salary increases were to be based on merit and equity and were not to be given across the board)	2.9%
2008 ²	4% with a minimum of \$75 per month (salary increases were to be based on merit and equity and were not to be given across the board)	3.8%
2009 ³	5% with a minimum of \$100 per month (salary increases were to be based on merit and equity and were not to be given across the board)	(0.3%)
2010 ³	5% with a minimum of \$100 per month (salary increases were to be based on merit and equity and were not to be given across the board)	1.6%
2011 ⁴	3% (Salary increases for nonclassified employees were to be based on merit and equity and were not to be given across the board. Salary increases for classified employees were to be based on guidelines developed by the Office of Management and Budget (OMB).)	3.1%
2012 ⁴	3% (Salary increases for nonclassified employees were to be based on merit and equity and were not to be given across the board. Salary increases for classified employees were to be based on guidelines developed by OMB.)	2.1%
2013 ⁵	From 3 to 5% based on performance and up to 2% for classified employees in the first quartile of their salary range and up to 1% for classified employees in the second quartile of their salary range for market equity	1.5%
2014 ⁵	From 2 to 4% based on performance and up to 2% for classified employees in the first quartile of their salary range and up to 1% for classified employees in the second quartile of their salary range for market equity	1.6%
2015 ⁶	From 2 to 4% based on performance	0.1%
2016 ⁶	From 2 to 4% based on performance	1.2% (projected)
2017	0%	2.5% (projected)
2018	1%	2.7% (projected)

*Percentage change, consumer price index annual rate, Moody's Analytics

¹In addition the 2001 Legislative Assembly provided:

- \$5 million, \$2.7 million of which was from the general fund, for market equity compensation adjustments for classified employees as approved by Human Resource Management Services.
- \$4,628,824 from the general fund for equity and special needs for entities under the control of the State Board of Higher Education. A portion of this amount was used for salary increases to address equity issues.

- \$178,233, \$142,697 of which was from the general fund, for salary equity adjustments for elected and appointed officials.

²In addition the 2007 Legislative Assembly provided \$10 million, \$5 million of which was from the general fund and \$5 million of special funds, for market equity salary adjustments based on market data for classified employees. Employees furthest from market were to receive the largest increase (2007 Senate Bill No. 2189).

The 2007-09 legislative appropriation for the University System included funding for parity to provide for inflationary costs, including the general fund share of 5 percent per year salary increases and health insurance increases.

³In addition the 2009 Legislative Assembly provided an appropriation of \$15,984,000, of which \$9 million is from the general fund, to OMB to address salary equity issues. House Bill No. 1015 (2009) provided the statewide equity pool be used for market equity compensation adjustments for classified and nonclassified state employees of executive branch agencies, institutions, and departments, excluding entities under the control of the State Board of Higher Education. The market equity increases were to be prioritized based on a statewide plan to address occupational market disparities, economic growth areas, recruitment and retention challenges, and internal and external pay inequities for employees who are critical to the mission of the agency. The plan needed to give priority to employees who were employed by the state for the greatest length of time and were furthest below their salary range midpoint. The Office of Management and Budget, in developing the plan, was to consider employee pay comparisons to similar occupational classifications of other North Dakota employers and employers in Montana, South Dakota, and Wyoming.

The 2009-11 legislative appropriation for the University System included funding for parity to provide for inflationary costs, including the general fund share of 5 percent per year salary increases and health insurance increases.

⁴In addition the 2011 Legislative Assembly provided additional salary equity-related funding for the following agencies:

- Attorney General's office - \$125,000 from the general fund - Salary increases available upon certification completion for personnel advancement.
- Industrial Commission - \$502,832 from the general fund - Salary equity increases primarily for geologists and petroleum engineers.
- State Treasurer - \$24,000 from the general fund - Salary increases for employee reclassifications.
- Department of Transportation - \$600,000 from special funds - Optional market salary adjustments primarily for heavy equipment operators and highway maintenance personnel.

The 2011-13 legislative appropriation for the University System included funding for parity to provide for inflationary costs, including the general fund share of 3 percent per year salary increases and health insurance premium increases.

The 2011 Legislative Assembly provided funding for an increase in contributions to the retirement system of 2 percent on January 1, 2012, and another 2 percent increase on January 1, 2013. For each increase, employees would pay 1 percent of the increased contribution and the state would pay the remaining 1 percent.

⁵The 2013 Legislative Assembly provided salary increases for eligible classified employees of up to 2 percent per year based on an employee's position in the assigned pay range and increases of 3 to 5 percent on July 1, 2013, and 2 to 4 percent on July 1, 2014, based on performance. The Legislative Assembly provided salary increases to eligible nonclassified employees of 3 to 5 percent on July 1, 2013, and 2 to 4 percent on July 1, 2014, based on performance.

The Legislative Assembly also provided funding for an increase in contributions to the retirement system of 2 percent on January 1, 2014. For the increase, employees paid 1 percent of the increased contribution and the state paid the remaining 1 percent.

⁶The 2015 Legislative Assembly provided salary increases for all eligible classified and nonclassified employees of 2 to 4 percent per year, based on performance.

The 2015 Legislative Assembly also provided targeted market equity funds of \$4.49 million, which included \$3.75 million from the general fund to address occupational market disparities, economic growth areas, recruitment and retention challenges, and external pay inequities for employees who are critical to the mission of the agency. Agencies that received a targeted market equity salary adjustment include the Adjutant General (\$71,323), Veterans' Home (\$468,954), State Department of Health (\$724,558), Department of Human Services (\$3,039,616), and the Protection and Advocacy Project (\$185,549).

The 2015 Legislative Assembly also provided additional salary market equity related funding for the following agencies:

- Attorney General's office - \$1,546,301, which includes \$1,012,301 from the general fund.
- Office of Administrative Hearings - \$38,110 from special funds.
- Retirement and Investment Office - \$50,000 from special funds.
- Department of Public Instruction - \$100,000 from the general fund.
- Department of Corrections and Rehabilitation - \$2,126,442 from the general fund.
- Adjutant General - \$192,621 from the general fund.

ANALYSIS OF ELECTED OFFICIALS' SALARIES

The executive budget recommendation for the 2017-19 biennium includes funding to provide salary increases of 1 percent effective July 1, 2018, for elected officials. The executive budget also recommends providing a salary equity adjustment of \$5,889 to the State Treasurer on July 1, 2017. Section 6 of 2013 House Bill No. 1005 provided legislative intent that the salary of the State Treasurer be increased to the salary of the next lowest-paid state elected official effective July 1, 2017. The statutory changes necessary to adjust elected officials' salaries as recommended are included in the appropriation bills for the respective elected officials. The schedule below shows for each elected official the salary authorized by the 2015 Legislative Assembly and the salary being proposed in the executive budget.

State Official	Statutory Annual Salary Authorized by the 2015 Legislative Assembly		Proposed Annual Salary Included in the 2017-19 Executive Budget Recommendation	
	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018
Governor	\$129,091	\$132,964	\$132,964	\$134,294
Lieutenant Governor	\$100,215	\$103,221	\$103,221	\$104,253
Secretary of State	\$102,689	\$105,770	\$105,770	\$106,828
Attorney General	\$152,436	\$157,009	\$157,009	\$158,579
Superintendent of Public Instruction	\$116,903	\$120,410	\$120,410	\$121,614
Tax Commissioner	\$111,448	\$114,791	\$114,791	\$115,939
Insurance Commissioner	\$102,689	\$105,770	\$105,770	\$106,828
Public Service Commissioners (3)	\$105,491	\$108,656	\$108,656	\$109,743
Agriculture Commissioner	\$105,491	\$108,656	\$108,656	\$109,743
State Auditor	\$102,689	\$105,770	\$105,770	\$106,828
State Treasurer	\$96,972	\$99,881	\$105,770 ¹	\$106,828

¹The recommended salary for the State Treasurer includes a salary equity adjustment of \$5,889, effective July 1, 2017.

The following schedule shows the current salary and the salary being proposed for each judge in the judicial branch budget request:

	Statutory Annual Salary Authorized by the 2015 Legislative Assembly		Proposed Annual Salary Included in the 2017-19 Judicial Branch Budget Request	
	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018
Supreme Court Chief Justice	\$156,813	\$161,517	\$161,517	\$163,132
Other Supreme Court justices	\$152,436	\$157,009	\$157,009	\$158,579
District court presiding judges	\$143,714	\$148,025	\$148,025	\$149,505
Other district court judges	\$139,679	\$143,869	\$143,869	\$145,308

SECTION J - TRUST FUND ANALYSES

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**ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$572,485,454		\$0
Add estimated revenues				
Investment income	\$0 ¹		\$0 ¹	
Transfer from general fund	0 ²		0 ²	
Transfer from tax relief fund (2017 HB 1075)	0		300,000,000 ⁴	
Transfer from strategic investment and improvements fund (2017 HB 1075)	0		154,162,971 ⁵	
Total estimated revenues		\$0		\$454,162,971
Total available		\$572,485,454		\$454,162,971
Less estimated expenditures and transfers				
Transfer to general fund	\$572,485,454 ³		\$0	
Total estimated expenditures and transfers		\$572,485,454		\$0
Estimated ending balance		\$0		\$454,162,971

¹Interest earnings are retained in the fund unless the balance of the fund is at the maximum amount allowed under North Dakota Century Code Section 54-27.2-01. The amounts shown assume no interest will be retained in the fund. However, depending on the timing of proposed transfers during the 2017-19 biennium, there may be interest earnings retained in the fund during the 2017-19 biennium.

²Chapter 54-27.2 provides any amount in the general fund at the end of a 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. Based on the executive budget estimate, the general fund balance will not exceed \$65 million at the end of the 2015-17 biennium.

³Section 3 of 2015 Senate Bill No. 2379, as approved by the Legislative Assembly during the August 2016 special legislative session, authorizes the Director of the Office of Management and Budget to transfer up to \$572,485,452 from the budget stabilization fund to the general fund to provide for a positive balance in the general fund on June 30, 2017. The entire amount is anticipated to be transferred.

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

⁵The executive budget recommendation provides for a transfer of \$154,162,971 from the strategic investment and improvements fund to the budget stabilization fund during the 2017-19 biennium.

FUND HISTORY

The budget stabilization fund was established by the 1987 Legislative Assembly in House Bill No. 1596. Major provisions include:

- Section 54-27.2-01 establishes the budget stabilization fund and provides any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section currently provides any money in the fund in excess of 9.5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly must be deposited in the general fund. The 2011 Legislative Assembly approved House Bill No. 1451, which decreased, effective July 1, 2011, the maximum balance allowed in the fund from 10 to 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides any amount in the general fund at the end of a biennium in excess of \$65 million must be transferred to the budget stabilization fund.

- Section 54-27.2-03 provides the Governor may order a transfer from the budget stabilization fund to the general fund if the Director of the Office of Management and Budget projects general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.

ANALYSIS OF THE COMMON SCHOOLS TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

ASSETS, DISTRIBUTIONS, AND INVESTMENT RETURNS FOR THE COMMON SCHOOLS TRUST FUND

The following is a summary of actual and estimated assets, distributions, and investment returns for the common schools trust fund for the 1997-99 through 2017-19 bienniums:

Biennium	Fiscal Year	Beginning Assets (Excluding Land and Minerals Values)	Distributions	Total Average Investment Return (Interest Income and Capital Gains)
1997-99	1998	\$400,689,879	\$23,200,000	13.57%
	1999	\$444,823,559	\$23,200,000	7.50%
1999-2001	2000	\$467,059,293	\$23,775,000	11.05%
	2001	\$521,509,978	\$23,775,000	2.03%
2001-03	2002	\$533,360,593	\$28,896,500	(1.34%)
	2003	\$522,905,814	\$28,896,500	4.57%
2003-05	2004	\$547,047,877	\$30,000,000	12.60%
	2005	\$614,738,548	\$30,000,000	8.58%
2005-07	2006	\$686,273,875	\$31,100,000	7.51%
	2007	\$761,901,287	\$31,100,000	12.82%
2007-09	2008	\$887,092,909	\$33,400,000	(4.22%)
	2009	\$908,928,685	\$33,400,000	(13.75%)
2009-11	2010	\$846,314,086	\$38,589,000	14.48%
	2011	\$1,221,501,801	\$38,589,000	17.99%
2011-13	2012	\$1,622,412,984	\$46,257,000	2.42%
	2013	\$1,917,135,220	\$46,257,000	10.65%
2013-15	2014	\$2,417,363,782	\$65,163,000	13.85%
	2015	\$3,128,315,233	\$65,163,000	.50%
2015-17	2016	\$3,437,988,002	\$103,067,000	(0.63%)
	2017	\$3,512,355,582	\$103,067,000	1
2017-19	2018	1	\$144,132,000	1
	2019	1	\$144,132,000	1

¹Section 2 of Article IX of the Constitution of North Dakota was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. The amendment became effective July 1, 2009, and distributions are no longer based on interest and income earned by the fund. Distributions from the common schools trust fund are now based on a percentage of the 5-year average value of trust assets, excluding the value of lands and minerals. Therefore, the Board of University and School Lands does not project asset values, income, or investment return because it is no longer relevant to the calculation of distribution amounts. **The unaudited fund balance of the common schools trust fund was \$3,617,443,394 as of September 30, 2016.**

MONEY DEPOSITED IN THE COMMON SCHOOLS TRUST FUND

Select Constitutional Provisions

Article IX, Section 1

This section provides that the following money must be deposited in a permanent trust fund, known as the common schools trust fund, and used to support the common schools of the state:

- All proceeds relating to public lands granted to the state by the federal government for the support of the common schools.
- All proceeds relating to property acquired by the state through escheat (property reverting to the state in the absence of legal heirs).
- All gifts, donations, and other property acquired by the state for the support of the common schools.
- The proceeds of all bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands.

This section was included in the original Constitution of North Dakota enacted in 1889. In 1982 the section was amended to provide that bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands were to be deposited in the common schools trust fund. In 2006 Measure No. 1, approved by voters, removed the reference to bonuses related to leasing and provided that revenues earned by a perpetual trust fund must be deposited in the fund.

Article IX, Section 5

This section provides that in all sales of common schools lands, the state must retain the mineral interests. Leases may be executed for the extraction and sale of the minerals.

This section was included in the original Constitution of North Dakota enacted in 1889. As originally enacted, the section prohibited the sale of common schools lands that were "coal lands" and did not address other minerals. In 1960 the section was amended to its current form which allows the sale of lands containing minerals, but requires that the state retain the mineral interests. Minerals are defined to include oil, gas, coal, cement materials, sodium sulphate, sand and gravel, road material, building stone, chemical substances, metallic ores, uranium ores, and colloidal or other clays.

Article X, Section 24

This section provides that 10 percent of oil extraction tax revenue must be deposited in the common schools trust fund.

This section was enacted in 1994 through voter approval of Measure No. 1 (1993 Senate Concurrent Resolution No. 4011). In November 2016 voters approved 2015 Senate Concurrent Resolution No. 4003, which provided for a constitutional amendment to Section 24. The amendment allows the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes and simplifies other language in the section. However, the amendment does not change deposits to the fund or limit the balance in the common schools trust fund, which has not been changed since enactment.

Select North Dakota Century Code Provisions

Section 47-30.1-23

This section provides that all funds received by the state under the Uniform Unclaimed Property Act, except amounts deducted for the payment of claims and certain administrative costs, must be deposited in the common schools trust fund.

Section 54-27-25

This section, which was enacted by the 1999 Legislative Assembly, creates a tobacco settlement trust fund to be used to deposit tobacco settlement money received by the state. Forty-five percent of the tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement and deposited in the tobacco settlement trust fund must be transferred to the common schools trust fund and become a part of the principal of the fund. **The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation provides the revenues be deposited in the general fund, which will require statutory changes to Section 54-27-25.**

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 related to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the common schools trust fund.

To date, \$180,657,304 of tobacco settlement money received by the state has been transferred to the common schools trust fund. The following is a summary of transfers to the common schools trust fund from the tobacco settlement trust fund, estimated based on actual revenues received through October 2016 and estimated revenues per the December 2016 executive budget revenue forecast, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

1999-2001	\$23,805,353 (actual)
2001-03	\$23,998,745 (actual)
2003-05	\$20,977,123 (actual)
2005-07	\$19,722,653 (actual)
2007-09	\$27,672,929 (actual)
2009-11	\$18,248,834 (actual)
2011-13	\$18,108,052 (actual)
2013-15	\$19,003,716 (actual)
2015-17	\$18,119,900 (estimate)
2017-19	\$0 (estimate) ¹
2019-25	\$0 (estimate) ¹

¹The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation provides revenues be deposited in the general fund, which will require statutory changes to Section 54-27-25.

DISTRIBUTIONS FROM THE COMMON SCHOOLS TRUST FUND

Select Constitutional Provisions

Article IX, Section 1

This section provides that revenues earned by the perpetual trust fund must be deposited in the fund, the costs of administering the fund may be paid out of the fund, and the perpetual trust funds must be managed to preserve their purchasing power and to maintain stable distributions to fund beneficiaries.

Article IX, Section 2

This section provides that payments to the common schools of the state include:

- Biennial distributions from each educational trust fund must be 10 percent of the 5-year average value of the trust assets, excluding the value of land and minerals. This section was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. Previously, distributions were based on the amount of interest and income earned by each trust during a fiscal year. The amendment became effective July 1, 2009, and distributions from the common schools trust fund for the 2009-11 biennium and all subsequent bienniums are based on the distribution formula.
- All fines for violation of state laws. (This money is not added to the trust fund, but is added to the distributions from the common schools trust fund and distributed to schools.)
- All other amounts provided by law.

This section was included in the original Constitution of North Dakota enacted in 1889. The original law contained the following two provisions that were removed through voter approval of Measure No. 3 in June 1982:

- Payments to the common schools must be distributed in proportion to the number of school-age children in each district.
- Any portion of the interest or income of the common schools trust fund not distributed during a fiscal year must be added to the permanent balance of the trust fund.

Select North Dakota Century Code Provisions

Section 15-01-02

This section provides that the Board of University and School Lands has full control of:

- The selection, appraisal, rental, sale, disposal, and management of common schools lands.
- The investment of any funds derived from the sale of common schools lands.
- The proceeds of any other property required by law to be used for the support of the common schools.

INVESTMENT OF THE COMMON SCHOOLS TRUST FUND

Section 15-03-04 provides that the Board of University and School Lands is to apply the prudent investor rule in investing the permanent funds under its control, including the common schools trust fund. The prudent investor rule means that in making investments, the board is to exercise the same judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

**ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$429,184		\$63,964
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	\$2,026,644 ¹		\$0	
Projected remaining transfers from the tobacco settlement trust fund	2,000,000 ²		4,000,000 ²	
Total estimated revenues		4,026,644 ²		4,000,000 ²
Total available		\$4,455,828		\$4,063,964
Less estimated expenditures and transfers				
State Department of Health (2015 HB 1004; 2017 SB 2064)				
Tobacco prevention and control, including the Tobacco Quitline and the tobacco cessation coordinator and operating expenses	\$3,440,864 ³		\$3,200,000 ³	
Women's Way program	400,000		400,000	
Behavioral Risk Factor State Survey	496,000		400,000	
State Department of Health - Dentists' loan repayment program funding to offset general fund budget reductions	55,000 ⁴			
Total estimated expenditures and transfers		4,391,864		4,000,000
Estimated ending balance		\$63,964		\$63,964

¹As of October 2016 \$2,026,644 has been transferred from the tobacco settlement trust fund for the 2015-17 biennium. Total transfers of \$40,146,068 have been made from the tobacco settlement trust fund to the community health trust fund.

²Revenues - Interest earned on the community health trust fund is deposited in the general fund. Community health trust fund revenues have been estimated based on actual revenues received through October 2016 and estimated revenues per the December 2016 executive budget revenue forecast for the 2017-19 biennium, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provides for a transfer of 45 percent of the revenue to the general fund. This recommendation will require statutory changes to Section 54-27-25. The executive recommendation will result in the following estimated allocation of tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million ¹	23.0 million		18.1 million	18.1 million	4.0 million

Estimated 2017-19 biennium	40.2 million ¹	N/A	\$18.0 million	²	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$18.0 million	\$171.9 million	\$189.9 million	\$42.3 million

¹This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

²The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation will require statutory changes to North Dakota Century Code Section 54-27-25.

³Section 54-27-25 provides 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 an emphasis on preventing or reducing tobacco usage. The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly increased the funding for the Tobacco Quitline to provide nicotine replacement therapy and cessation counseling. The 2007 Legislative Assembly authorized 1 full-time equivalent tobacco prevention coordinator position and related funding for salaries and wages and operating expenses for the position. The 2015 Legislative Assembly did not approve direct funding for the Tobacco Quitline or the tobacco prevention coordinator position, but appropriated \$3,440,864 from the community health trust fund for tobacco prevention and control programs for the 2015-17 biennium. The department anticipates expending \$3,440,864 from the fund for the 2015-17 biennium. The executive budget recommendation provides \$3,200,000 from the community health trust fund to the department for tobacco prevention and control programs for the 2017-19 biennium.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure also provides that 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. Based on estimated tobacco settlement trust fund transfers during the 2017-19 biennium, tobacco prevention and control expenditures from the community health trust fund are required to total approximately \$3.2 million.

⁴The dentists' loan repayment program, which is administered by the Health Council, was established in 2001 Senate Bill No. 2276 (Chapter 43-28.1). The Legislative Assembly, in 2015 Senate Bill No. 2205, amended Chapter 43-28.1 related to the dental loan repayment program to remove the maximum number of dentists and to provide the council select dentists who will provide services in areas of defined need, including populated areas where there are public health needs. The dentists are eligible to receive funds, not to exceed a total of \$100,000 per applicant, for the repayment of their educational loans. The funds are payable over a 5-year period (\$20,000 per year). The 2015 Legislative Assembly provided \$540,000, of which \$180,000 is from the general fund and \$360,000 is from the student loan trust fund, for the dentists' loan repayment program during the 2015-17 biennium.

In addition, the 2009 Legislative Assembly approved Senate Bill No. 2358, which created Section 43-28.1-01.1 and provided an appropriation of \$180,000 from the general fund for a loan repayment program for dentists in public health and nonprofit dental clinics. In 2015 the Legislative Assembly repealed Section 43-28.1-01.1 and included dentists willing to serve in public health and nonprofit dental clinics in the same loan repayment program as dentists serving small communities. The 2015 Legislative Assembly approved \$180,000 from the general fund for the loan repayment program for dentists who practice in a public health setting or a nonprofit dental clinic that uses a sliding fee schedule to bill patients. This funding is in addition to \$540,000 provided for the dental loan repayment program. Senate Bill No. 2205 (2015) repealed Section 43-28.1-01.1 related to the loan repayment program for dentists in public health and nonprofit dental clinics and the \$180,000 from the general fund is available for the dental loan repayment program, as amended in the bill. Total funding available for the combined dental loan repayment program based on defined need was \$720,000, of which \$360,000 is from the general fund and \$360,000 is from the student loan trust fund. However, due to budget reductions approved by the Legislative Assembly in August 2016, the State Department of Health reduced funding from the general fund for the dental loan repayment program by \$355,000, of which \$55,000 was replaced with funding available in the community health trust fund. The adjusted appropriation for the dental loan repayment program provides \$420,000, of which \$5,000 is from the general fund, \$55,000 is from the community health trust fund, and \$360,000 is from the student loan trust fund.

The 2017-19 executive budget recommendation includes \$600,000, of which \$240,000 is from the general fund and \$360,000 is from the student loan trust fund, for the dentists' loan repayment program, \$180,000 more than the adjusted 2015-17 biennium legislative appropriation.

FUND HISTORY

Section 54-27-25 created by 1999 House Bill No. 1475 established the community health trust fund. 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:

- 10 percent to the community health trust fund;
- 45 percent to the common schools trust fund (**The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, rather the 45 percent is transferred to the general fund.**); and
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will be deposited beginning in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. Future tobacco settlement payments will be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25, as amended by the measure.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 related to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the community health trust fund.

**ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$617,625,443		\$294,823,036
Add estimated revenues				
Oil extraction tax allocations	\$123,323,690 ¹		\$145,424,692 ¹	
Total estimated revenues		123,323,690		145,424,692
Total available		\$740,949,133		\$440,247,728
Less estimated expenditures and transfers				
Transfer to state school aid program	\$116,053,293 ²		\$140,000,000 ²	
Transfer to the school construction assistance loan fund (2015 SB 2039) ³	165,036,402 ³			
Transfer to the scholarship endowment fund (2015 SB 2039) ³	165,036,402 ³			
Total estimated expenditures and transfers		446,126,097		140,000,000
Estimated ending balance		\$294,823,036 ⁴		\$300,247,728 ⁴
Less required reserve of 15 percent of the general fund appropriation for state school aid during the prior biennium		252,266,100 ⁴		265,770,900 ⁴
Estimated ending balance available		\$42,556,936		\$34,476,828

¹Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through October 2016. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

²Estimated expenditures - Prior to December 8, 2016, Section 24 of Article X of the Constitution of North Dakota provided 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. In February 2016 the Governor issued a 4.05 percent budget allotment and in March 2016, \$71,758,143 was transferred from the foundation aid stabilization fund to the Department of Public Instruction to offset state school aid, transportation, and special education reductions as a result of the general fund budget allotment. In August 2016 the Governor issued another 2.5 percent budget allotment and an additional transfer of \$44,295,150 was made from the foundation aid stabilization fund to the department later that month. Concurrent Resolution No. 4003 (2015), approved by voters in November 2016, amends Section 24 of Article X of the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes. The executive recommendation includes an appropriation of \$140 million from the foundation aid stabilization fund for state school aid during the 2017-19 biennium.

³The Legislative Assembly approved 2015 Senate Bill No. 2039, which establishes, contingent on the approval of Senate Concurrent Resolution No. 4003 by voters, a scholarship endowment fund and a school construction assistance loan fund. The bill provides for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016) and to the scholarship endowment fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016). The approval of Senate Concurrent Resolution No. 4003 by voters and Senate Bill No. 2039 result in the following funds available from the foundation aid stabilization fund as of December 1, 2016:

Foundation aid stabilization fund balance - December 1, 2016	\$582,338,904 ¹
Reserve balance - 15 percent of the general fund appropriation for state aid to school districts, including integrated formula payments, transportation aid, and special education grants, during the 2013-15 biennium	\$252,266,100

Transfer to the scholarship endowment fund	\$165,036,402
Transfer to the school construction assistance fund	\$165,036,402

¹To the extent that the balance in the foundation aid stabilization fund exceeds 15 percent of the general fund appropriation for state aid to school districts, for the most recently completed biennium, oil extraction tax allocations deposited into the foundation aid stabilization fund after December 1, 2016, are available for education-related purposes, including state aid to school districts and education-related property tax relief to school district patrons. Based on the December 2016 executive budget revenue forecast, it is estimated \$42 million in oil extraction tax allocations will be deposited in the foundation aid stabilization fund between December 1, 2016, and June 30, 2017.

⁴Amendments to the Constitution of North Dakota approved in 2015 Senate Concurrent Resolution No. 4003 require the balance in the foundation aid stabilization fund be at least 15 percent of the general fund appropriation for state aid to school districts for the most recently completed biennium as determined by the Office of Management and Budget. Any excess balance in the fund is available for education-related purposes. Integrated formula payments, transportation aid, and special education grants totaled \$1,822,100,000 during the 2013-15 biennium, of which \$140,326,000 is provided from the state tuition fund and \$1,681,774,000 is provided from the general fund. Based on this level of funding from the general fund during the 2013-15 biennium, the required balance in the foundation aid stabilization fund during the 2015-17 biennium is \$252,266,100. The adjusted appropriation for integrated formula payments, transportation aid, and special education grants totals \$1,990,940,000 during the 2015-17 biennium, of which \$219,134,000 is provided from the state tuition fund, \$116,053,293 is from the foundation aid stabilization fund, and \$1,655,752,707 is provided from the general fund. Based on this level of funding from the general fund during the 2015-17 biennium, the required balance in the foundation aid stabilization fund during the 2017-19 biennium will be \$248,362,906. The Office of Management and Budget reported in its 2017-19 executive budget documents a required reserve balance of \$265,770,900, which is the reserve balance required based on the original 2015-17 biennium state school aid appropriations.

FUND HISTORY

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

- 50 percent (of the 20 percent) to the common schools trust fund; and
- 50 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 a 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.

Section 24 of Article X 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, 2015, through October 31, 2016, \$400,025 of interest from the foundation aid stabilization fund has been allocated to the general fund.

In November 2016 voters approved Senate Concurrent Resolution No. 4003, which amended the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for education-related purposes. In addition, the Legislative Assembly approved Senate Bill No. 2039, which included certain provisions effective December 1, 2015, based on the approval of Senate Concurrent Resolution No. 4003 by voters. Those provisions of Senate Bill No. 2039 established a scholarship endowment fund and a school construction assistance loan fund and provided for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016) and to the scholarship endowment fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016). Other provisions of Senate Bill No. 2039, provide any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for education-related purposes, including state aid to school districts and education-related property tax relief to school district patrons.

**ANALYSIS OF THE LEGACY FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Estimated beginning balance		\$3,289,089,229		\$4,236,518,250
Add estimated revenues				
Oil and gas gross production and extraction tax collections (30 percent of collections) ¹	\$817,429,021		\$949,187,217	
Investment earnings (losses) ^{2,3}	130,000,000		160,000,000	
Total estimated revenues		947,429,021		1,109,187,217
Total estimated available		\$4,236,518,250		\$5,345,705,467
Less estimated expenditures and transfers				
Transfer of realized earnings accruing after June 30, 2017, to the general fund ^{3,4}	\$0		\$160,000,000	
Expenditure of principal ⁴	0		0	
Total estimated expenditures and transfers		0		160,000,000
Estimated ending balance		\$4,236,518,250		\$5,185,705,467

¹Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through November 2016. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

²The amounts shown reflect projections by the Retirement and Investment Office. The estimates are based on annual earnings of 1.5 percent of the projected average annual balance of the fund.

³Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides that the investment earnings are the realized earnings of the fund. The schedule below provides more detail on the investment earnings since the fund was established on July 1, 2011.

	2011-13 Biennium Actual	2013-15 Biennium Actual	2015-17 Biennium Estimated	2017-19 Biennium Estimated	Total
Realized earnings (losses)	\$18,520,564	\$145,255,008	\$130,000,000	\$160,000,000	\$453,775,572
Unrealized earnings (losses)	(12,004,313)	67,871,752	0	0	55,867,439
Total investment earnings (losses)	\$6,516,251	\$213,126,760	\$130,000,000	\$160,000,000	\$509,643,011

The investment earnings (losses) for the legacy fund for the 2015-17 biennium through October 31, 2016, were approximately \$103.7 million, including realized earnings (losses) of \$60.2 million and unrealized earnings (losses) of \$43.5 million.

⁴The principal and earnings of the legacy fund may not be spent until after June 30, 2017, pursuant to Section 26 of Article X of the Constitution of North Dakota. After June 30, 2017, the principal and earnings may be spent as follows:

- Up to 15 percent of the principal of the legacy fund may be spent during a biennium subject to approval by at least two-thirds of the members elected to each house of the Legislative Assembly.
- The realized earnings accruing after June 30, 2017, are transferred by the State Treasurer to the general fund at the end of the biennium and may be spent from the general fund pursuant to legislative appropriation.

FUND HISTORY

The legacy fund was created in 2010 when the voters of North Dakota approved a constitutional amendment--now Section 26 of Article X of the Constitution of North Dakota--to provide 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund. The principal and earnings of the legacy fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the legacy fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the legacy fund, and such transfers become part of the principal of the fund. The State Investment Board is responsible for investment of the principal of the legacy fund. Investment earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium.

Prior to July 1, 2015, if the unobligated balance of the strategic investment and improvements fund exceeded \$300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund were deposited instead into the legacy fund in the subsequent month. In 2015 House Bill Nos. 1176 and 1377, the Legislative Assembly amended Section 15-08.1-08 to remove the provision related to the additional deposits of revenue in the legacy fund from the strategic investment and improvements fund.

ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$16,173,872 ¹		\$0
Add estimated revenues				
Oil and gas gross production tax collections	\$19,886,685 ²		\$10,000,000 ⁴	
Interest income	17,608		8,800	
Total estimated revenues		\$19,904,293		10,008,800
Total available		\$36,078,165		\$10,008,800
Less estimated expenditures and transfers				
Grants	\$14,536,882 ³		\$9,858,800 ⁵	
Grants awarded in the 2013-15 biennium, but paid in a subsequent biennium ¹	21,391,283			
Administrative expenses	150,000		150,000	
Total estimated expenditures and transfers		36,078,165		10,008,800
Estimated ending balance		\$0		\$0

¹The 2015-17 biennium beginning reflects actual distributions from the fund during the 2013-15 biennium and not total grant commitments. Many of the grants awarded during the 2013-15 biennium are for multiyear projects and 2013-15 grant awards were not all paid during the 2013-15 biennium.

²Pursuant to North Dakota Century Code Section 57-51-15, the amount of oil and gas gross production tax collections deposited in the fund may not exceed \$20 million per fiscal year or \$40 million per biennium. The December 2016 executive budget forecast for oil and gas taxes estimates \$19.89 million of oil and gas gross production tax collections will be deposited in the fund during the 2015-17 biennium.

³The amount shown reflects estimated funds that will be available for grants in the 2015-17 biennium. The Industrial Commission awarded grants of \$4,719,843 as of July 31, 2016. In addition funding of \$145,202 has been returned during the 2015-17 biennium from projects that did not utilize the total award amount. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2015-17 biennium. The commission has expended \$4,610,478 from the fund as of July 31, 2016. The commission anticipates approximately \$12 million will be expended from the fund during the 2015-17 biennium for grants.

⁴The executive budget recommends reducing the maximum amount of oil and gas gross production tax collections in the North Dakota outdoor heritage fund from \$20 million per year (\$40 million per biennium) to \$5 million per year (\$10 million per biennium). The executive budget assumes the maximum amount of \$10 million will be deposited in the fund during the 2017-19 biennium.

⁵The executive budget recommends \$9.9 million for new conservation and outdoor recreation project grants from the outdoor heritage fund.

FUND HISTORY

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to enhancing conservation practices in this state by:

- Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improving, maintaining, and restoring water quality, soil conditions, plant diversity, animal systems, and by supporting other practices of stewardship to enhance farming and ranching;

- Developing, enhancing, conserving, and restoring wildlife and fish habitat on private and public lands; and
- Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

For the 2013-15 biennium, pursuant to Section 57-51-15, 4 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund, up to \$15 million per year. Effective July 1, 2015, 8 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the outdoor heritage fund. A maximum of \$20 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

**ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance, excluding infrastructure revolving loan fund		\$576,346,704		\$259,366,123
Add estimated revenues				
Oil extraction tax collections	\$246,647,381 ¹		\$290,849,384 ¹	
Repayments and reimbursements	14,576,000		12,400,000	
Investment earnings/Miscellaneous income	3,500,000		2,700,000	
Total estimated revenues		264,723,381		305,949,384
Total available		\$841,070,085		\$565,315,507
Less funds designated for the infrastructure revolving loan fund (North Dakota Century Code Section 61-02-78)	\$24,664,738 ²		\$0 ²	
Less estimated expenditures and transfers				
State Water Commission - Grants, projects, and project administration, including expenditures approved by the Budget Section pursuant to 2015 SB 2020 and 2017 HB 1080	552,850,000 ³		560,500,000 ⁴	
Total estimated State Water Commission expenditures and loans		\$577,514,738		\$560,500,000
Transfer to renewable energy development fund (Section 57-51.1-07)	\$3,000,000 ⁵		\$3,000,000 ⁵	
Transfer to energy conservation grant fund (Section 57-51.1-07)	1,189,224 ⁵		1,200,000 ⁵	
Total estimated transfers		4,189,224		4,200,000
Estimated ending balance, excluding funds designated for infrastructure revolving loan fund		<u>\$259,366,123</u>		<u>\$615,507</u>

¹Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through October 2016. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

²This amount represents 10 percent of actual oil extraction tax collections through October 31, 2016, and estimated oil extraction tax collections for the remainder of the 2015-17 biennium based on the December 2016 executive revenue forecast. Section 4 of House Bill No. 1080 (2017) amends Section 61-02-78 to suspend the allocation of resources trust fund revenue to the infrastructure revolving loan fund when the cash balance of the infrastructure revolving loan fund reaches \$10 million and resumes the allocation of revenue when the cash balance falls below \$7 million. The executive recommendation estimates the cash balance in the infrastructure revolving loan fund will exceed \$10 million for the 2017-19 biennium:

Infrastructure Revolving Loan Fund Share of Oil Extraction Tax Collections	
	Actual and Estimated Total Infrastructure Revolving Loan Fund Collections
2013-15 biennium - actual	\$11,407,864
2015-17 biennium - estimated	24,664,738
2017-19 biennium - estimated	0
Total	\$36,072,602

³Sections 1 and 5 of 2015 Senate Bill No. 2020 appropriated \$755,817,897, or any additional funding that becomes available, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium. The Legislative Assembly, in 2015 Senate Bill No. 2020, directed the State Water Commission to refinance all remaining bonds through the Bank of North Dakota and to continue annual loan payments on the newly refinanced

bonds. The State Water Commission refinanced the bonds with the Bank on July 29, 2015, in the amount of \$45,840,221 at a variable interest rate of 1.75 percent. Principal and interest payments are estimated by the Bank to total \$7.6 million during the 2015-17 biennium and \$7.45 million during the 2017-19 biennium. The Bank loan will mature on June 30, 2030. The State Water Commission is making the loan payments from the resources trust fund.

⁴Sections 1 and 2 of 2017 House Bill No. 1080 appropriates \$560,500,000 or any additional funding that becomes available from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2017-19 biennium.

⁵The Legislative Assembly in 2013 Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to \$3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings.

INFRASTRUCTURE REVOLVING LOAN FUND HISTORY

The infrastructure revolving loan fund was created by the 2013 Legislative Assembly in Senate Bill No. 2233, which became effective on January 1, 2015. The bill established an infrastructure revolving loan fund within the resources trust fund. The bill provided 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission with a fixed interest rate of 1.5 percent and administered by the Bank of North Dakota. Annually, the Bank receives .5 percent of the balance of issued loans to cover costs associated with administering the loans. The fund beginning balance and revenue earned in a biennium are carried over from biennium to biennium within the resources trust fund.

RESOURCES TRUST FUND HISTORY

The resources trust fund was created pursuant to the passage of Initiated Measure No. 6 in the November 1980 general election. Initiated 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; and
- Energy conservation programs.

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

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

The 1995 Legislative Assembly amended Section 57-51.1-07 to increase the percentage of oil extraction tax deposited into the resources trust fund from 10 to 20 percent. The general fund received 60 percent of oil extraction tax revenues, and the remaining 20 percent was allocated pursuant to Section 24 of Article X of the Constitution of North Dakota.

Section 57-51.1-07, as amended by 2011 Senate Bill No. 2129, provides that oil extraction tax revenues be distributed as follows:

- 20 percent to the resources trust fund;
- 20 percent allocated as provided in Section 24 of Article X of the Constitution of North Dakota;
- 30 percent to the legacy fund; and
- 30 percent to be allocated to the state's general fund with certain funds designated for deposit in the property tax relief sustainability fund, the strategic investment and improvements fund, and the state disaster relief fund as provided in 2011 House Bill No. 1451.

The 2013 Legislative Assembly in Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to \$3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. In addition, effective January 1, 2015, the Legislative Assembly, in 2013 Senate Bill No. 2233, established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota.

**ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$0		\$0
Add estimated revenues				
Sales, use, and motor vehicle excise taxes (based on 43.5 percent of an equivalent one-cent sales tax effective July 1, 2014)	\$192,186,941 ¹		\$205,538,881 ¹	
Total estimated revenues		192,186,941		205,538,881
Total available		\$192,186,941		\$205,538,881
Less estimated expenditures and transfers				
Payments to political subdivisions				
County share (53.7 percent)	\$103,204,387		\$110,374,379	
City share (46.3 percent)	88,982,554		95,164,502	
Total estimated expenditures and transfers		192,186,941		205,538,881
Estimated ending balance		\$0		\$0

¹The amounts shown reflect actual revenue collections deposited in the fund through October 2016. The estimated revenues for the remainder of the 2015-17 biennium and the estimated revenues for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

FUND HISTORY

North Dakota Century Code Section 57-39.2-26.1 provided, prior to January 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 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 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. Senate Bill No. 2325 (2013) provides that effective July 1, 2014, deposits into the state aid distribution fund be based on an amount equal to 43.5 percent of an equivalent one-cent sales tax instead of an amount equal to 40 percent of an equivalent one-cent sales tax.

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 Southwest 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 Through June 30, 2011			
Counties	Percentage	Cities (Based on Population)	Percentage
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%
		Less than 200	2.6%
Total	100.00%		100.0%

Senate Bill No. 2253 (2011), which became effective July 1, 2011, revised the state aid distribution formula for cities to provide that distributions be based upon the proportion each city's population bears to the total population of all cities. The bill did not change the total distribution percentages to cities and counties, which remains at 53.7 percent to counties and 46.3 percent to cities. The allocation formula for specific counties and cities is:

Population Category Effective July 1, 2011		
Counties	Percentage	Cities
17 counties with the largest population (allocated equally)	20.48%	Based upon the proportion each city's population bears to total population
17 counties with the largest population (allocated based on population)	43.52%	
Remaining counties (allocated equally)	14.40%	
Remaining counties (allocated based on population)	21.60%	
Total	100.00%	

Senate Bill No. 2325 (2013), which became effective July 1, 2014, increased the portion of the sales and use, gross receipts, and motor vehicle excise tax collections that is deposited in the state aid distribution fund from an amount equal to 40 percent of the equivalent one-cent sales tax to an amount equal to 43.5 percent of an equivalent one-cent sales tax.

House Bill No. 1067 (2015), which became effective July 1, 2015, and expires on June 30, 2021, changes the state aid distribution formula from allocations based on the decennial census to allocations based on most recent actual or estimated census date.

**ANALYSIS OF THE STATE DISASTER RELIEF FUND FOR THE
2011-13, 2013-15, 2015-17, AND 2017-19 BIENNIUMS**

	2011-13 Biennium Actual		2013-15 Biennium Actual		2015-17 Biennium Estimated		2017-19 Biennium Estimated	
Beginning balance		\$34,675,167		\$77,651,986		\$75,867,942		\$29,903,461
Add revenues								
Transfer from the general fund (Section 17 of 2011 SB 2371)	\$48,700,000 ¹							
Interest income	70,784		\$81,030		\$70,000		\$70,000	
Federal funds - Volunteer hours adjustment and local share federal-to-federal mission assignments	1,604,101							
Miscellaneous reimbursements	705,950		1,007,480		500,000		500,000	
Oil and gas tax collections	22,000,000 ²		22,000,000 ²		12,959,303 ¹¹		0 ¹¹	
Total revenues		73,080,835		23,088,510		13,529,303		570,000
Total available		\$107,756,002		\$100,740,496		\$89,397,245		\$30,473,461
Less estimated expenditures								
Costs relating to disasters occurring prior to 2009	826,535 ³		1,306,121 ¹⁰					
Costs relating to 2009 flooding	2,656,019 ³		2,530,274 ^{10,14}		391,934 ¹⁸			
Costs relating to the January 2010 winter snowstorm	69,717 ¹		310,392 ^{10,14}					
Costs relating to 2010 flooding	164,272 ¹		320,896 ^{10,14}		1,310,764 ¹⁸			
Costs relating to the April 2010 ice storm	544,138 ¹		565,976 ^{10,14}		102,560 ¹⁸			
Costs relating to 2011 flooding 2011 ice storm (2013 HB 1016)	12,261,836 ^{1,4,5}		7,430,968 ^{10,14}		9,648,906 ¹⁸		3,733,429	
Costs relating to flooding in incorporated cities	1,715,887 ⁵		616,217 ¹⁴		925 ¹⁸			
Disaster response coordination contract	400,000 ⁶		1,461,014 ¹⁰		23,099 ¹⁸			
State disasters and flood mitigation efforts (road grade raising projects)	7,240 ⁵		400,000 ⁶		200,000 ⁶			
			91,986 ¹⁰		4,698,342 ¹⁸			

Housing rehab and retention	5,458,372 ¹	2,461,071 ¹	992,089 ¹⁸	
Flood-impacted housing assistance grant program		1,500,000 ⁸	1,088,468 ¹⁸	
Road grade raising projects - Department of Transportation	6,000,000 ¹			
Disaster recovery planning and technical services		1,031,218 ⁹	1,468,782 ⁹	
Fargo interior flood protection (Section 11 of 2015 SB 2020)			30,000,000 ¹²	
Chronic flooding relief (Section 3 of 2015 SB 2016)			2,000,000 ¹³	
2013 Red River Valley flood		1,591,135 ¹⁴	982,975 ¹⁸	651,969
2013 winter storm (October)		36,116 ¹⁴	465,301 ¹⁸	408,667
2014 rain storms		219,170 ¹⁴	119,639 ¹⁸	109,396
Valley City flood protection (2015 SB 2023)		3,000,000 ¹⁵		
Double Ditch site repairs (Section 5 of 2015 SB 2018)			2,000,000 ¹⁶	
Bismarck area flood protection (Section 15 of 2015 SB 2020)			4,000,000 ¹⁷	
Total estimated expenditures and transfers	30,104,016 ⁷	24,872,554	59,493,784 ¹⁹	4,903,461
Estimated ending balance	<u>\$77,651,986</u>	<u>\$75,867,942</u>	<u>\$29,903,461</u>	<u>\$25,570,000</u>

¹Section 17 of 2011 Senate Bill No. 2371 provided the Office of Management and Budget transfer \$48.7 million from the general fund to the state disaster relief fund during the 2011-13 biennium for the following purposes:

Relief Assistance	Transfer Amount	Appropriation Authority
Disaster-related expenses	\$32,700,000	Section 15 of 2011 Senate Bill No. 2371 provided appropriation authority of \$29.5 million from the state disaster relief fund to the Adjutant General for providing the required state share of funding for expenses associated with presidentially declared state disasters. Section 16 of the bill provided a contingent appropriation of \$5 million from the state disaster relief fund to the Adjutant General relating to grants to political subdivisions for a portion of the local share required to match federal emergency relief funding.
Flood-impacted housing assistance grant program	10,000,000	Section 9 of Senate Bill No. 2371 appropriated \$10 million from the state disaster relief fund to the Adjutant General for providing additional rebuilders loan program funding to the Bank of North Dakota and funding to political subdivisions for flood-impacted housing rehabilitation.
Road grade raising grants	6,000,000	Section 14 of Senate Bill No. 2371 appropriated \$6 million from the state disaster relief fund to the Department of Transportation for grants to counties for road grade raising projects on federal aid-eligible roads.
Total	<u>\$48,700,000</u>	

²House Bill No. 1451 (2011) created North Dakota Century Code Section 57-51.1-07.5 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first \$2 million is deposited in the general fund;
- The next \$341.79 million is deposited in the property tax relief fund;
- The next \$100 million is deposited in the general fund;
- The next \$100 million is deposited in the strategic investment and improvements fund;
- The next \$22 million is deposited in the state disaster relief fund; and
- Any additional revenues are deposited in the strategic investment and improvements fund.

³Section 1 of 2011 Senate Bill No. 2016 included spending authority of \$7.8 million from the state disaster relief fund for expenses related to the 2009 flood disaster (\$3,369,258) and other unclosed state disasters (\$4,473,046) in the 2011-13 biennium.

⁴Section 5 of 2011 Senate Bill No. 2016 appropriated \$3.5 million from the state disaster relief fund to the Adjutant General for the purpose of providing the required state share of funding for defraying the expenses associated with presidentially declared disasters pursuant to Section 37-17.1-27.

⁵Section 4 of 2011 Senate Bill No. 2369 appropriated \$22 million from the state disaster relief fund for flood-related costs for the remainder of the 2009-11 biennium and for the 2011-13 biennium. Subject to Emergency Commission and Budget Section approval, the Adjutant General may use the funding for city flood mitigation projects (up to \$3.2 million) and for disaster relief relating to 2011 spring flooding, road grade raising projects, 50 percent of the local match for disasters occurring from January 2011 through June 2011, and state expenses associated with presidentially declared disasters in the state. In September 2011 the Adjutant General received Emergency Commission and Budget Section approval for 2011-13 expenses of \$17.5 million for flood disasters, \$1.2 million for funding specific city flood mitigation projects, and \$4.8 million for road grade raising and matching grants to political subdivisions.

⁶In 2011 Senate Bill No. 2016, the Legislative Assembly provided authority to the Department of Emergency Services to utilize \$400,000 from the state disaster relief fund to contract for services to coordinate disaster response organizations with state and political subdivision disaster response efforts, including all aspects of disaster recovery from preparedness training through cleanup for declared or undeclared disasters. House Bill No. 1016 (2013) continued the same level of funding for the 2013-15 biennium. Senate Bill No. 2016 (2015) provides a \$200,000 appropriation from the state disaster relief fund for disaster response coordination for the 2015-17 biennium.

⁷Total 2011-13 state disaster relief fund appropriation authority provided to the Adjutant General consists of:

\$22,000,000	see Footnote 5
3,500,000	see Footnote 4
7,842,304	see Footnote 3
400,000	see Footnote 6
<u>42,700,000</u>	see Footnote 1
\$76,442,304	

⁸Section 4 of 2013 House Bill No. 1016 appropriated \$1.5 million from the state disaster relief fund to the Housing Finance Agency to provide grants to counties, cities, local housing authorities, and other nonprofit entities providing flood-impacted housing assistance. The section required an entity requesting grant funding to certify to the Housing Finance Agency that housing occupants were eligible to receive housing assistance under federal Department of Housing and Urban Development guidelines, that a land use agreement was in place for temporary housing units, and that a plan had been developed for the disposal of temporary housing units. The Housing Finance Agency was to develop guidelines for the distribution of funds, including the frequency of the distribution of grant funds.

⁹The 2013-15 biennium legislative appropriations include funding of \$1.5 million for contracted services to provide technical assistance and support to state and local government agencies with emergency management needs associated with preparedness, mitigation, and response and recovery. Senate Bill No. 2016 (2015) provides funding of \$1 million for continuing the disaster recovery planning and technical assistance contracted services for the 2015-17 biennium.

¹⁰Section 1 of 2013 House Bill No. 1016 included spending authority of \$13.9 million from the state disaster relief fund for expenses related to unclosed state disasters in the 2013-15 biennium.

¹¹These amounts reflect estimated oil tax revenue allocations for the 2015-17 and 2017-19 bienniums based on the December 2016 executive budget revenue forecast. House Bill No. 1377 (2015) amended Section 57-51.1-07.5 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first \$200 million is deposited in the general fund;
- The next \$300 million is deposited in the tax relief fund;
- The next \$100 million is deposited in the general fund;
- The next \$100 million is deposited in the strategic investment and improvements fund;
- The next \$22 million is deposited in the disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than \$25 million; and
- Any additional revenues:
 - 70 percent into the strategic investment and improvements fund; and
 - 30 percent into the political subdivision allocation fund.

¹²Section 11 of 2015 Senate Bill No. 2020 appropriates \$30 million from the state disaster relief fund to the State Water Commission for flood protection projects within the city limits of Fargo.

¹³Section 3 of 2015 Senate Bill No. 2016 appropriates \$2 million from the state disaster relief fund to the Adjutant General to provide for repair and replacement of infrastructure and for removal of debris and other health hazards in organized service districts that are experiencing chronic flooding. The Adjutant General is required to consult with the Environmental Division of the State Department of Health regarding the process of environmental cleanup.

¹⁴Subdivision 9 of Section 1 of 2015 Senate Bill No. 2023 provides a deficiency appropriation of \$5 million from the state disaster relief fund for four disasters occurring in 2013 and 2014 (\$2.1 million) and for disasters occurring in 2009, 2010, and 2011 (\$2.9 million).

¹⁵Subdivision 6 of Section 1 of 2015 Senate Bill No. 2023 provides a deficiency appropriation of \$3 million from the state disaster relief fund to Valley City State University for flood protection.

¹⁶2015 Senate Bill No. 2018 appropriates \$2 million from the state disaster relief fund for Double Ditch historic site repairs.

¹⁷Section 14 of 2015 Senate Bill No. 2020 appropriates \$4 million from the state disaster relief fund to the State Water Commission for levee projects for the Missouri River Correctional Center (\$1.2 million) and for Lincoln township's Fox Island area (\$2.8 million).

¹⁸Section 1 of 2015 Senate Bill No. 2016 included spending authority of \$17.8 million from the state disaster relief fund for expenses related to unclosed state disasters in the 2015-17 biennium.

¹⁹This amount is an estimate based on actual expenditures through September 30, 2016, and agency estimated expenditures through June 30, 2017.

FUND HISTORY

Section 37-17.1-27 (Section 4 of 2009 Senate Bill No. 2012) establishes a state disaster relief fund. In 2011 Senate Bill No. 2369, the Legislative Assembly amended Section 37-17.1-27 to limit use of money in the fund for only the required state share of funding for expenses associated with presidentially declared disasters in the state and to require Emergency Commission and Budget Section approval of the use of money in the fund. Senate Bill No. 2292 (2013) further amended the section to allow money in the fund to be used for wide area search and rescue activities. Any interest or other fund earnings must be deposited in the fund.

Section 3 of 2015 House Bill No. 1377 amends Section 57-51.1-07.5 relating to the allocation of oil and gas taxes to the state disaster relief fund. The section provides that no oil and gas taxes may be deposited in the state disaster relief fund if the unobligated balance in the fund exceeds \$25 million.

**ANALYSIS OF THE STRATEGIC INVESTMENT AND IMPROVEMENTS FUND
FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Estimated beginning balance		\$557,226,995		\$473,226,165
Add estimated revenues				
Production royalties ¹	\$119,042,489		\$181,694,250	
Mineral leases ¹	1,064,838		400,000	
Oil and gas bonuses ¹	14,135,055		8,000,000	
Investment earnings ¹	7,873,595		6,258,539	
Oil and gas tax collections ^{2,3}	134,660,279		70,447,874	
Total estimated revenues		276,776,256		266,800,663
Total estimated available		\$834,003,251		\$740,026,828
Less estimated expenditures and transfers				
Judicial Branch				
Deficiency - Additional cases related to the pipeline protest (2017 HB 1024)	\$1,500,000			
Commission on Legal Counsel for Indigents				
Contract service fees (2015 HB 1022)	200,000			
Deficiency - \$670,000 for cases related to the pipeline protest and \$267,000 for cases related to initiated Measure No. 3 on the November 2016 ballot (2017 HB 1024)	937,000			
North Dakota University System				
Challenge grants (2017 SB 2063)			\$3,000,000	
Department of Trust Lands				
Grants to airports (2017 SB 2073)			24,100,000	
North Dakota State University				
Deficiency - Minard Hall unreimbursed costs (2017 HB 1024)	1,634,854			
Valley City State University				
Fine arts building project (2017 SB 2063)			25,345,000	
State Department of Health				
Deficiency - Federal litigation costs (2017 HB 1024)	250,000			
Federal litigation costs (2017 SB 2064)			500,000	
Department of Human Services				
Deficiency - Medicaid program costs (2017 HB 1024)	9,000,000			
Industrial Commission				
Core library expansion project (2015 HB 1014) ⁴	13,516,904			
Federal litigation costs (2017 SB 2074)			1,000,000	
Lignite research grants (2017 SB 2074)			3,000,000	

Public Service Commission			
Litigation costs (2017 HB 1068)			300,000
Bank of North Dakota			
Transfer to infrastructure revolving loan fund (2015 HB 1443)	50,000,000		
Transfer to medical facility infrastructure loan fund (2015 SB 2012)	50,000,000		
Transfer to school construction assistance loan fund (2015 SB 2039)	150,000,000		
Highway Patrol			
Equipment (2017 SB 2071)			514,000
Department of Corrections and Rehabilitation			
Electronic medical records information technology project (2017 SB 2075)			936,000
Adjutant General			
Deficiency - Loan repayment (2017 HB 1024)	17,079,500		
Department of Commerce			
Contingent appropriation - Enhanced use lease grant (2015 HB 1018)	7,500,000		
Grants for domestic violence shelters (2015 HB 1285)	650,000		
Grant for unmanned aerial systems (2017 SB 2078)			2,000,000
Base retention grants (2017 SB 2078)			1,000,000
Department of Agriculture			
Federal litigation costs (2017 HB 1069)			1,000,000
Main Research Center			
Veterinary diagnostics laboratory (2015 HB 1020)	18,000,000		
State Historical Society			
Deficiency - \$1,265,625 for Double Ditch Historic Site loan repayment and \$294,500 for Heritage Center construction litigation (2017 HB 1024)	1,560,125		
Department of Transportation			
Short line railroad revolving loan fund (2015 HB 1012)	7,000,000		
Contingent transfer to highway fund (2015 SB 2015) ⁵	0		
Transfer to the general fund (2017 HB 1075)	30,000,000		30,000,000
Transfer to the budget stabilization fund (2017 HB 1075)			154,162,971
Administrative costs/other fees	1,948,703		2,040,000
Total estimated expenditures and transfers		360,777,086	248,897,971
Estimated ending balance		\$473,226,165	\$491,128,857
Restricted fund income			
Reserve relating to potential title disputes ⁶		142,325,049	142,325,049
Loan guarantees (2011 SB 2306; 2013 SB 2287) ⁷		17,181,230	17,181,230
Estimated ending balance - Unobligated		\$313,719,886	\$331,622,578

¹The amounts shown reflect projections by the Department of Trust Lands for the 2015-17 and 2017-19 bienniums.

²Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through November 2016. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

³House Bill No. 1176 (2015) increased the allocation of oil and gas gross production tax collections to counties decreasing the state's share, including the allocation to the strategic investment and improvements fund. House Bill No. 1377 (2015) amended North Dakota Century Code Section 57-51.1-07.5 to change the allocation of the state's share of oil and gas tax revenue so that during the 2015-17 biennium, the oil and gas tax revenue remaining after allocations to other state funds, are deposited 70 percent in the strategic investment and improvements fund and 30 percent in the political subdivision allocation fund. After the 2015-17 biennium, all of the oil and gas tax revenue remaining after allocations to other state funds are deposited in the strategic investment and improvements fund.

The December 2016 executive budget recommends changing the allocation of the state's share of oil and gas tax revenue to remove the allocation to the tax relief fund and to increase the allocation to the general fund to \$1 billion, resulting in a decrease in the allocation to the strategic investment and improvements fund.

⁴The amount shown reflects the actual expenditures for the project. The appropriation was \$13,625,322, resulting in \$108,418 of unspent 2015-17 biennium appropriation authority being returned to the fund.

⁵Senate Bill No. 2015 (2015) provides a contingent transfer of \$25.85 million from the strategic investment and improvements fund to the highway fund and a contingent appropriation of \$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. General fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, did not exceed the legislative estimates.

⁶These amounts represent oil and gas bonuses received from areas of the Yellowstone and Missouri Rivers and Lake Sakakawea where mineral rights are in dispute. Based on the outcome of legal settlements, these funds may need to be returned. Pursuant to action of the Board of University and School Lands, this portion of the fund balance is designated to be held in reserve pending the settlement of mineral ownership title disputes.

⁷Senate Bill No. 2306 (2011) increased the guarantee limit on the total value of all fuel production facility loans by \$15 million, from \$10 million to \$25 million. Money in the strategic investment and improvements fund is available to the Bank of North Dakota to maintain 25 percent of the guarantee reserve fund balance not to exceed a total of \$6.25 million. Senate Bill No. 2287 (2013) increased the guarantee reserve fund balance from 25 percent to 100 percent, not to exceed a total of \$25 million, through July 31, 2015. After July 31, 2015, the amount of reserves for all guaranteed loans must be determined by a formula that will provide an adequate amount of reserves as determined by the Bank. Money may be transferred from the strategic investment and improvements fund to reimburse lenders for guaranteed loans in default.

FUND HISTORY

House Bill No. 1451 (2011) provided the lands and minerals trust fund be renamed the strategic investment and improvements fund, and as soon as feasible after June 30, 2011, the State Treasurer close out the lands and minerals trust fund and transfer any remaining unobligated balance to the strategic investment and improvements fund. 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 strategic investment and improvements fund, pursuant to Section 15-08.1-08. The principal and interest of the fund may be used for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. Money in the fund may be included in draft appropriation Acts under Section 54-44.1-06 and may be appropriated by the Legislative Assembly, but only to the extent the money is estimated to be available at the beginning of the biennium in which the appropriations are authorized.

Prior to July 1, 2015, if the unobligated balance of the strategic investment and improvements fund exceeded \$300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund were deposited instead into the legacy fund in the subsequent month. In 2015 House Bill Nos. 1176 and 1377, the Legislative Assembly amended Section 15-08.1-08 to remove the provision related to the additional deposits of revenue in the legacy fund from the strategic investment and improvements fund. The unobligated balance in the fund is defined as the balance in the fund reduced by appropriations or transfers from the fund authorized by the Legislative Assembly, guarantee reserve fund requirements under Section 6-09.7-05, and any fund balance designated by the Board of University and School Lands relating to potential title disputes related to certain riverbed leases.

ANALYSIS OF THE TAX RELIEF FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$657,000,000		\$300,000,000
Add estimated revenues				
Allocation of oil and gas tax revenues	\$300,000,000 ^{1,2}		\$0 ³	
Total estimated revenues		300,000,000		0
Total available		\$957,000,000		\$300,000,000
Less estimated expenditures and transfers				
Transfer to general fund (Section 3 of 2015 SB 2015)	\$657,000,000			
Transfer to budget stabilization fund (2017 HB 1075)			\$300,000,000 ³	
Total estimated expenditures and transfers		657,000,000		300,000,000
Estimated ending balance		<u>\$300,000,000</u>		<u>\$0</u>

¹Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through November 2016. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the December 2016 executive budget revenue forecast.

²House Bill No. 1377 (2015) repealed North Dakota Century Code Sections 15.1-27-45 and 57-64-05 relating to the property tax relief sustainability fund and amended Section 57-51.1-07.5 to change the name of the property tax relief sustainability fund to the tax relief fund and changed the allocation of the state's share of oil and gas tax revenue to provide the following:

- The first \$200 million to the general fund;
- The next \$300 million to the tax relief fund;
- The next \$100 million to the general fund;
- The next \$100 million to the strategic investment and improvements fund;
- The next \$22 million to the state disaster relief fund if the amounts do not bring the unobligated balance of the fund to more than \$25 million;
- For the 2015-17 biennium, any remaining revenues are deposited:
 - 70 percent into the strategic investment and improvements fund; and
 - 30 percent into the political subdivision allocation fund; and
- After the 2015-17 biennium, any remaining revenues are deposited into the strategic investment and improvements fund.

³The executive budget recommends amending Section 57-51.1-07.5 to change the allocation of the state's share of oil and gas tax revenue removing the allocation to the tax relief fund and transferring the remaining fund balance to the budget stabilization fund.

FUND HISTORY

Section 57-64-05, as created by 2009 Senate Bill No. 2199, created the property tax relief sustainability fund for property tax relief programs, pursuant to legislative appropriation. Senate Bill No. 2199 provided an initial transfer of \$295 million from the permanent oil tax trust fund to the property tax relief sustainability fund. Chapter 57-51.1 provided for an allocation of the state's share of oil and gas tax revenues of \$341.79 million each biennium to the property tax relief sustainability fund.

Section 15.1-27-45, as created by Section 40 of 2013 House Bill No. 1013, changed the name of the property tax relief sustainability fund to the property tax relief fund, but only for the 2013-15 biennium. House Bill No. 1377 (2015) repealed Sections 15.1-27-45 and 57-64-05 and amended Section 57-51.1-07.5 to change the name of the property tax relief sustainability fund to the tax relief fund and decreased the amount of the state's share of oil and gas tax revenue deposited in the fund from \$341.79 million per biennium to \$300 million per biennium.

**ANALYSIS OF THE TOBACCO PREVENTION AND CONTROL TRUST FUND
FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$49,341,421		\$55,897,620
Add estimated revenues				
Tobacco settlement revenues collected to date	\$11,480,889 ¹			
Projected tobacco settlement revenues	11,480,889 ²		\$0 ²	
Investment and miscellaneous revenue	142,460 ³		142,460 ³	
Total estimated revenues		23,104,238 ⁴		142,460 ⁴
Total available		\$72,445,659		\$56,040,080
Less estimated expenditures and transfers				
Tobacco Prevention and Control Executive Committee:	\$16,548,039 ⁵		\$0 ⁵	
Expenditures pursuant to 2015 HB 1024				
State Department of Health (2017 SB 2064):				
Local public health unit grants			\$4,000,000	
Cancer programs			744,804	
Stroke and cardiac care programs			756,418	
Physician loan repayment program			480,000	
Behavioral health loan repayment program			243,640	
Tobacco program grant			500,000	
Department of Human Services (2017 HB 1072):				
Medicaid grants			15,000,000	
Opioid treatment			1,799,076	
Total estimated expenditures and transfers		16,548,039		23,523,938
Estimated ending balance		<u>\$55,897,620</u>		<u>\$32,516,142</u>

¹As of October 2016 the state has received tobacco settlement payments totaling \$31,947,333 for the 2015-17 biennium, of which \$20,466,444 was deposited in the tobacco settlement trust fund and \$11,480,889 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$495,923,569, including \$387,862,947 under subsection IX(c)(1) of the Master Settlement Agreement and \$108,060,622 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$495,923,569, \$401,660,676 has been deposited into the tobacco settlement trust fund and \$94,262,893 has been deposited into the tobacco prevention and control trust fund.

²Tobacco prevention and control trust fund revenues have been estimated based on actual revenues received through October 2016 and estimated revenues per the December 2016 executive budget revenue forecast for the 2017-19 biennium. The executive budget revenue forecast does not include a deposit in the tobacco prevention and control trust fund because the last payment under subsection IX(c)(2) of the Master Settlement Agreement is anticipated in April 2017.

³In August 2015 the Tobacco Prevention and Control Executive Committee entered into an agreement with the State Investment Board to provide investment management services for the tobacco prevention and control trust fund. On September 30, 2015, the Tobacco Prevention and Control Executive Committee transferred \$47.3 million to the State Investment Board for management. The investment policy statement adopted by the executive committee includes an asset mix of 75 percent global fixed income, 10 percent global equity, and 15 percent cash. Estimated investment income reflects earnings and realized gains, but does not include changes in the market value of the investments.

⁴Initiated Measure No. 3, approved in the November 2008 general election, provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under North Dakota Century Code Section 54-27-25 may only be spent pursuant to legislative appropriations.

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provides for a transfer of 45 percent of the revenue to the general fund. This recommendation will require statutory changes to Section 54-27-25. The executive recommendation will result in the following estimated allocation of tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million ¹	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million ¹	N/A	\$18.0 million	²	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$18.0 million	\$171.9 million	\$189.9 million	\$42.3 million

¹This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

²The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation will require statutory changes to Section 54-27-25.

⁵The 2015 Legislative Assembly appropriated \$16,548,039 from the tobacco prevention and control trust fund to the Tobacco Prevention and Control Executive Committee for the purpose of providing a level of funding that will meet the annual level recommended by the Centers for Disease Control and Prevention for North Dakota as published in its *Best Practices for Comprehensive Tobacco Control* for the 2015-17 biennium. The executive recommendation does not include funding for the Tobacco Prevention and Control Executive Committee during the 2017-19 biennium. **This recommendation will require the repeal of Chapter 23-42 and statutory changes to Section 54-27-25.**

FUND HISTORY

The tobacco prevention and control trust fund was created as a result of voter approval of Initiated Measure No. 3 in the November 2008 general election. The measure added seven new sections to Century Code and amended Section 54-27-25 to establish the Tobacco Prevention and Control Advisory Committee and an executive committee, develop and fund a comprehensive statewide tobacco prevention and control plan, and create a tobacco prevention and control trust fund to receive tobacco settlement dollars to be administered by the executive committee. The measure provides for the advisory committee, appointed by the Governor, to develop the initial comprehensive plan and select an executive committee responsible for the implementation and administration of the comprehensive plan. The initiated measure became effective 30 days after the election (December 4, 2008).

Tobacco settlement payments received by the state under the Master Settlement Agreement are derived from two subsections of the Master Settlement Agreement. Subsection IX(c)(1) of the Master Settlement Agreement provides payments on April 15, 2000, and on April 15 of each year thereafter in perpetuity, while subsection IX(c)(2) of the Master Settlement Agreement provides for additional strategic contribution payments that began on April 15, 2008, and continue each April 15 thereafter through 2017. Section 54-27-25, created by 1999 House Bill No. 1475, did not distinguish between payments received under the separate subsections of the Master Settlement Agreement and provided for the deposit of all tobacco settlement money received by the state into the tobacco settlement trust fund. Money in the fund, including interest, is transferred within 30 days of deposit in the fund as follows:

- 10 percent to the community health trust fund.
- 45 percent to the common schools trust fund. **(The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, rather the 45 percent is transferred to the general fund.)**
- 45 percent to the water development trust fund.

The measure provides for a portion of tobacco settlement dollars received by the state to be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement will continue to be deposited in the tobacco settlement trust fund and allocated 10 percent to the community health trust fund (with 80 percent used for tobacco prevention and control), 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement will be deposited into the tobacco prevention and control trust fund. Interest earned on the balance in this fund will be deposited in the fund. The fund will be administered by the executive committee created by the measure for the purpose of creating and implementing the comprehensive plan. **The executive recommendation does not include funding for the Tobacco Prevention and Control Executive Committee during the 2017-19 biennium and recommends repealing Chapter 23-42 related to the Tobacco Prevention and Control Executive Committee.**

The measure also provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the executive committee to adequately provide for the comprehensive plan. The Legislative Assembly, in Section 39 of 2009 House Bill No. 1015, provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

**ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS
(REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$0		\$0
Add estimated revenues				
Tobacco settlement revenues collected to date	\$20,466,444 ¹			
Projected tobacco settlement revenues	\$20,000,000		\$40,200,000	
Total estimated revenues		40,466,444 ²		40,200,000 ²
Total available		\$40,466,444 ^{3,4}		\$40,200,000 ^{3,4}
Less estimated expenditures and transfers				
Attorney General - Tobacco settlement agreement costs (2017 HB 1063)	\$200,000 ⁵		\$200,000 ⁵	
Transfers to the community health trust fund	4,026,644		4,000,000	
Transfers to the common schools trust fund	18,119,900		6	
Transfers to the water development trust fund	18,119,900		18,000,000	
Transfers to the general fund			18,000,000	
Total estimated expenditures and transfers		40,466,444 ⁴		40,200,000 ⁴
Estimated ending balance		\$0		\$0

¹As of October 2016 the state has received tobacco settlement payments totaling \$31,947,333 for the 2015-17 biennium, of which \$20,466,444 was deposited in the tobacco settlement trust fund and \$11,480,889 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$495,923,569, including \$387,862,947 under subsection IX(c)(1) of the Master Settlement Agreement and \$108,060,622 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$495,923,569, \$401,660,676 has been deposited into the tobacco settlement trust fund and \$94,262,893 has been deposited into the tobacco prevention and control trust fund.

²Revenues - House Bill No. 1475 (1999), North Dakota Century Code Section 54-27-25, provides 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.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amends Section 54-27-25 to provide a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, was deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729, which, because it was received prior to passage of the measure, was allocated pursuant to Section 54-27-25 prior to amendment.

Tobacco settlement trust fund revenues have been estimated based on actual revenues received through October 2016 and estimated revenues per the December 2016 executive budget revenue forecast for the 2017-19 biennium and do not include anticipated strategic contribution payments, which expire after 2017.

³In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect the full payment. The total original estimated tobacco settlement collections, including payments to be received under both subsection IX(c)(1) and subsection IX(c)(2) of the Master Settlement Agreement, and the total actual and estimated collections as revised by the Office of Management and Budget are:

Biennium	1999 Original Estimated Collections	Actual and 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	46,310,010
2005-07	51,271,214	43,828,118
2007-09	82,231,080	75,633,409
2009-11	82,231,080	64,013,596
2011-13	82,231,080	63,035,245
2013-15	82,231,080	64,618,711
2015-17	82,231,080	63,428,222
2017-19	58,591,490	40,200,000
2019-21	58,591,490	52,503,832
2021-23	58,591,490	52,503,832
2023-25	58,591,490	52,503,832
Total	\$866,801,136	\$725,115,954

⁴Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provides for a transfer of 45 percent of the revenue to the general fund. This recommendation will require statutory changes to Section 54-27-25. The executive recommendation will result in the following estimated allocation of tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million ¹	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million ¹	N/A	\$18.0 million	²	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$18.0 million	\$171.9 million	\$189.9 million	\$42.3 million

¹This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

²The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation will require statutory changes to Section 54-27-25.

⁵The 2015 Legislative Assembly in Senate Bill No. 2003 amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

⁶The executive recommendation for the 2017-19 biennium does not included a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provides for a transfer of 45 percent of the revenue to the general fund. This recommendation will require statutory changes to Section 54-27-25.

FUND HISTORY

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 its deposit in the fund:

- 10 percent to the community health trust fund;
- 45 percent to the common schools trust fund **(The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, rather the 45 percent is transferred to the general fund.);** and
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in a new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement.

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING THE 2017-19 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2015-17 Biennium		2017-19 Biennium	
	Beginning balance		\$26,929,728	
Add estimated revenues				
Transfers to date from tobacco settlement trust fund	\$9,119,900 ¹			
Projected remaining transfers from tobacco settlement trust fund	9,000,000 ²		18,000,000 ²	
Total estimated revenues		18,119,900 ²		18,000,000 ²
Total available		\$45,049,628		\$50,449,628
Less estimated expenditures and transfers				
Water projects (2015 SB 2020; 2017 HB 1080)	\$12,600,000 ³		\$52,000,000 ⁴	
Total estimated expenditures and transfers		12,600,000		52,000,000
Estimated ending balance		\$32,449,628		(\$1,550,372)

¹As of October 2016 \$9,119,900 has been transferred from the tobacco settlement trust fund for the 2015-17 biennium. Total transfers of \$189,657,304 have been made from the tobacco settlement trust fund to the water development trust fund.

²Revenues - Interest earned on the water development trust fund is deposited in the general fund. Water development trust fund revenues have been estimated based on actual revenues received through October 2016 and estimated revenues per the December 2016 executive budget revenue forecast for the 2017-19 biennium, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provides for a transfer of 45 percent of the revenue to the general fund. This recommendation will require statutory changes to North Dakota Century Code Section 54-27-25. The executive recommendation will result in the following estimated allocation of tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million ¹	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million ¹	N/A	\$18.0 million	²	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$18.0 million	\$171.9 million	\$189.9 million	\$42.3 million

¹This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

²The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund. This recommendation will require statutory changes to Section 54-27-25.

³Sections 1 and 5 of 2015 Senate Bill No. 2020 appropriate \$34.5 million, or any additional funding that becomes available, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium. The State Water Commission is making the loan payments on the Bank of North Dakota loan from the resources trust fund; therefore, funding in the water development trust fund is available for water projects.

⁴Sections 1 and 3 of 2017 House Bill No. 1080 appropriate \$52 million, or any additional funding that becomes available from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2017-19 biennium.

⁵Based on 2017-19 estimated revenues and recommended appropriations in the executive budget, the balance is projected to be negative. As a result, expenditures would need to be reduced to the level of money available in the fund.

FUND HISTORY

Section 54-27-25, created by 1999 House Bill No. 1475, establishes 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:

- 10 percent to the community health trust fund;
- 45 percent to the common schools trust fund. **The executive recommendation for the 2017-19 biennium does not include a transfer from the tobacco settlement trust fund to the common schools trust fund, rather the 45 percent is transferred to the general fund;** and
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides that if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides 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.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the water development trust fund.