

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

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

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

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

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

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

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

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

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

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

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

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

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

FUND HISTORY

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

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

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