

EXECUTIVE BUDGET RECOMMENDATIONS REQUIRING STATUTORY CHANGES OR OTHER LEGISLATIVE ACTION

In addition to general agency budget recommendations, elected officials salary increases, and capital construction bonding proposals, the following recommendations included in the executive budget require statutory changes by the 2005 Legislative Assembly to implement:

REVENUES

1. Amends North Dakota Century Code (NDCC) Section 57-51.1-07.2 to increase the amount of oil extraction and oil and gas production tax collections that may be deposited in the general fund before collections are transferred to the **permanent oil tax trust fund** by \$13.5 million per biennium, from \$71 million to \$84.5 million (Section 18 of House Bill No. 1015 (2005)).
2. Repeals NDCC Section 54-27.2-02 relating to the transfer of any funds in excess of \$65 million in the general fund at the end of a biennium to the **budget stabilization fund** (Sections 19 and 20 of House Bill No. 1015 (2005)). Allows \$126.7 million (June 30, 2005, estimated general fund balance) to be available for 2005-07 revenues.
3. Continues the \$350 biennial **pesticide registration fee** that will revert to \$300 on July 1, 2005. Revenues from the additional \$50 estimated at \$475,000 for the 2005-07 biennium are deposited in the environment and rangeland protection fund (Section 10 of House Bill No. 1009 (2005)).
4. Increases **motor vehicle registration fees** by \$15 per vehicle and deposits the collections estimated at \$20.1 million for the 2005-07 biennium in the state highway fund rather than the highway tax distribution fund (Senate Bill No. 2144 (2005)).

FUNDING TRANSFERS

1. Provides for transfers from **Bank of North Dakota profits** to the general fund of \$60 million, the same as the 2003-05 biennium (Section 12 of House Bill No. 1015 (2005)). Based on the executive budget recommendations that anticipate a \$60 million transfer from the Bank of North Dakota during the 2003-05 biennium and \$60 million during the 2005-07 biennium, the Bank's capital at the end of the 2005-07 biennium is projected to be \$169 million.
2. Provides for **contingent transfers** from the permanent oil tax trust fund and the Bank of North Dakota to provide for any general fund revenue shortfalls during the 2005-07 biennium. The contingent transfers, subject to Budget Section approval, may be

requested by the director of the Office of Management and Budget if revised revenue projections during the 2005-07 biennium indicate that general fund revenues will be less than the estimates approved by the 2005 Legislative Assembly. The transfers may not exceed the actual amount that revenues are less than estimated and the transfers are limited to the amount available in the permanent oil tax trust fund and to \$10 million from the Bank.

Any Bank transfers may not reduce the Bank's capital structure below \$150 million (Section 13 of House Bill No. 1015 (2005)). For the 2003-05 biennium, the Legislative Assembly authorized a contingent Bank of North Dakota transfer of up to \$9 million with the provision that any transfer could not reduce the Bank's capital below \$140 million.

3. Provides for transfers from **Mill and Elevator Association profits** to the general fund of \$5 million, the same as the 2003-05 biennium (Section 11 of Senate Bill No. 2014 (2005)).
4. Provides for a transfer from the **health care trust fund** to the general fund of \$16.9 million, \$19 million less than the \$35.9 million authorized for transfer during the 2003-05 biennium (as of December 27, 2004, legislation to provide for this transfer has not been introduced).
5. Provides for a transfer from the **lands and minerals trust fund** to the general fund of \$5 million, \$3 million more than the transfer authorized for the 2003-05 biennium (Section 10 of House Bill No. 1015 (2005)). The section provides that additional amounts may be transferred if available.
6. Provides for a transfer from the **student loan trust fund** to the general fund of \$9 million, \$17.3 million less than the \$26.3 million transfer authorized for the 2003-05 biennium (House Bill No. 1152 (2005)). The bill also removes the \$23 million limit on the amount of subordinate or residual bonds the Industrial Commission may issue on the student loan trust fund.

ORGANIZATIONAL CHANGES

1. Transfers **State Radio Communications** from the Office of Management and Budget to the Division of Emergency Management (House Bill No. 1015 (2005)).
2. Transfers responsibility for **State Capitol security** from the Office of Management and Budget to the Highway Patrol (Senate Bill No. 2087 (2005)).

3. Merges the **Geological Survey and the Oil and Gas Division** into a Department of Mineral Resources under the Industrial Commission (Senate Bill No. 2014 (2005)).

HOMESTEAD TAX CREDIT

Expands eligibility for the homestead tax credit program, which provides property tax and rent relief to low-income seniors and to individuals who are permanently disabled (as of December 27, 2004, legislation to implement this recommendation has not been introduced).

ELEMENTARY EDUCATION

1. Increases **per student payments** from \$2,623 being provided for the second year of the 2003-05 biennium to \$2,726 for the first year of the 2005-07 biennium and \$2,826 for the second year of the 2005-07 biennium (House Bill No. 1153 (2005)).
2. Provides for changes in the calculation of school district weighting factors used for the calculation of **weighted student units** and the distribution of state school aid, including the consolidation of school district-size categories and the increase of weighting factors so no factor is set below 1.0 (House Bill No. 1153 (2005)).
3. Continues the current level of **teacher compensation payments** of \$1,000 for first-year teachers and \$3,000 for second-year returning teachers. Each school district is to use an amount equal to at least 70 percent of all new money received for per student payments and tuition apportionment for the purpose of increasing the compensation paid to teachers (House Bill No. 1153 (2005)).
4. Increases the statutory **minimum teacher salary** by \$3,000 per year, from \$21,500 to \$24,500 per year (as of December 27, 2004, legislation to make this change has not been introduced).
5. Provides that any state school aid funds remaining unspent at the end of the 2005-07 biennium will be distributed as follows:
 - a. The first \$900,000 as reorganization bonus payments to school districts pursuant to NDCC Section 15.1-12-11.1 and reorganization bonus advanced payments pursuant to Section 15.1-12-11.2.
 - b. Any remaining amount as additional per student payments (House Bill No. 1153 (2005)).

HIGHER EDUCATION

1. Continues provisions approved by the 2003 Legislative Assembly allowing a **continuing appropriation** of higher education institutions' special revenue funds, including tuition (Senate Bill No. 2003 (2005)).

2. Continues authorization for the University System to **carry over** at the end of each biennium unspent general fund appropriations (Senate Bill No. 2003 (2005)).
3. Continues the requirement that the budget request for the University System include budget estimates for **block grants** for a base funding component and for an initiative funding component and a budget estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding. The executive budget appropriates funding for these components but consolidates the funding for all higher education institutions into one appropriation (Senate Bill No. 2003 (2005)).
4. Requires the University System **performance and accountability report** to include an executive summary and specific information regarding education excellence, economic development, student access, student affordability, and financial operations (Senate Bill No. 2003 (2005)).

HUMAN SERVICES

1. Changes the method of calculating **nursing facility payment limits** from the percentile method to a median-plus method and sets the limits for direct, other direct, and indirect costs at the median-plus 20 percent, 20 percent, and 10 percent, respectively (as of December 27, 2004, legislation to make this change has not been introduced).
2. Allows Medicaid recipients to set aside up to \$5,500 for **funeral expenses** rather than \$3,000 (as of December 27, 2004, legislation to make this change has not been introduced).
3. Provides a continuing appropriation for making **developmental disabilities loan fund payments** to the common schools trust fund (Section 8 of Senate Bill No. 2013). The 2003 Legislative Assembly appropriated \$3.3 million from the lands and minerals trust fund to the Department of Human Services for making these payments for the 2003-05 biennium.

VETERANS' BONUS

Establishes a new veterans' bonus program to provide bonuses to North Dakota veterans serving in active duty after September 11, 2001 (as of December 27, 2004, legislation to implement this recommendation has not been introduced).

CENTERS OF EXCELLENCE

Establishes a centers of excellence program in the Department of Commerce to award grants to research universities, university-related foundations, and public institutions in North Dakota for economic development activities (Senate Bill No. 2018). The bill also authorizes the department to borrow up to \$50 million from the Bank of North Dakota which is appropriated pursuant to a continuing appropriation for providing centers of excellence grants. The \$50 million of borrowing authority is in addition to the \$5 million from the general fund appropriated to the department for the 2005-07 biennium.

COUNCIL ON THE ARTS

Allows the Council on the Arts cultural endowment fund to be invested by the State Investment Board rather than at the Bank of North Dakota (Sections 5 and 7 of Senate Bill No. 2010 (2005)).

STATE WATER COMMISSION

Authorizes the State Water Commission to sell its maintenance shop property in Bismarck and use the proceeds to purchase land and construct a new maintenance shop (Sections 6 and 7 of House Bill No. 1021 (2005)).

Makes the statutory changes necessary for the State Water Commission to sell by July 1, 2005, up to \$60 million of bonds previously authorized. The bond proceeds will be used to replenish the water development and resources trust funds for expenditures during the 2003-05 biennium in order to make available money in these funds for the 2005-07 biennium water projects (Senate Bill No. 2145 (2005)).