

## SUMMARY OF KEY RECOMMENDATIONS

### GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2003	\$3,862,909 <sup>1</sup>
Add estimated 2003-05 general fund revenues	1,768,286,434 <sup>2</sup>
<b>Total resources available</b>	<b>\$1,772,149,343</b>
Less recommended 2003-05 general fund appropriations	1,762,103,934
<b>Estimated general fund balance - June 30, 2005</b>	<b>\$10,045,409</b>

<sup>1</sup> This amount includes estimated agency general fund turnback of \$3,862,909 and reflects \$22,862,442 of the additional Bank of North Dakota transfer.

<sup>2</sup> The executive budget allows the director of the Office of Management and Budget to direct the Industrial Commission to transfer additional funds from the Bank of North Dakota to the general fund if actual 2003-05 revenues are less than projected. The transfers may not exceed the lesser of the amount of the revenue shortfall or \$25 million and the transfers may not reduce the Bank's capital to less than \$140 million.

### TOTAL APPROPRIATIONS SUMMARY

	2001-03 Legislative Appropriations	Increase (Decrease)	2003-05 Executive Budget
General fund	\$1,746,983,713	\$15,120,221	\$1,762,103,934
Estimated income	3,022,696,983	208,570,185	3,231,267,168 <sup>1</sup>
<b>Total all funds</b>	<b>\$4,769,680,696</b>	<b>\$223,690,406</b>	<b>\$4,993,371,102</b>

<sup>1</sup> The amount shown includes funding of \$105,326 for an energy improvement project at the Department of Corrections and Rehabilitation inadvertently included in the executive budget recommendation for the Department of Corrections and Rehabilitation and the North Dakota University System office. Therefore, the special funds appropriations and total funds appropriations for the 2003-05 executive budget recommendation has been inadvertently overstated by \$105,326.

### 2003-05 GENERAL FUND REVENUES

1. Includes general fund revenues of \$1.77 billion, \$62.0 million more than the 2001-03 biennium revenues as projected at the close of the 2001 Legislative Assembly.
2. Major areas of **revenue growth** include:
  - a. Sales and use taxes increasing by \$32.6 million or 5.1 percent.
  - b. Motor vehicle excise taxes increasing by \$16.7 million or 14.7 percent.
  - c. Insurance premium taxes increasing by \$11.6 million or 29.1 percent.

- d. Cigarette and tobacco taxes increasing by \$28.6 million. The **Governor recommends increasing cigarette and tobacco taxes** by 80 percent (an increase of 35 cents per pack of cigarettes, from 44 cents to 79 cents per pack) which is estimated to generate an additional \$29.7 million of general fund revenues for the 2003-05 biennium.
3. Major areas of **revenue decline** include:
  - a. Individual income taxes decreasing by \$19.5 million or 4.3 percent.
  - b. Corporate income taxes decreasing by \$13.9 million or 13.3 percent.
4. Assumes **oil prices** will average \$22 to \$24 per barrel during the first year of the biennium and to \$18 to \$21 per barrel during the second year of the biennium. The average November 2002 price for North Dakota crude oil was \$21.41 per barrel.
5. Transfers \$60 million from the **Bank of North Dakota**, the same amount initially authorized for the 2001-03 biennium; however, because of the anticipated general fund revenue shortfall during the 2001-03 biennium, the Budget Section approved the contingent transfer authorized by the 2001 Legislative Assembly of an additional \$25 million during the 2001-03 biennium.
6. Transfers \$5 million from the **Mill and Elevator**, \$1 million less than the amount authorized for the 2001-03 biennium.
7. Transfers \$9 million from the interest earnings of the **student loan trust fund**, the same amount authorized for the 2001-03 biennium.
8. Transfers \$2 million from the **state bonding fund**.
9. Projects state agency **general fund turnback** of \$3.9 million at the end of the 2001-03 biennium.
10. Transfers the estimated balance in the **permanent oil tax trust fund** of \$14.3 million to the general fund. North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that money in the fund may be spent only upon a two-thirds vote of the Legislative Assembly.
11. Anticipates oil extraction and oil and gas production tax collections in excess of \$62 million will not be deposited in the **permanent oil tax trust fund** during the 2003-05 biennium. These collections, estimated to be \$3.4 million for the 2003-05 biennium are anticipated to be deposited in the general fund.
12. Includes \$5 million of general fund revenues resulting from North Dakota's participation in a **multistate lottery**.

13. Authorizes the director of the Office of Management and Budget to request **additional Bank of North Dakota transfers** of up to \$25 million if revised revenue projections during the 2003-05 biennium indicate that general fund revenues will be less than the estimates approved by the 2003 Legislative Assembly. The transfers may not exceed the actual amount that revenues are less than estimated, and the transfers may not reduce the Bank's capital structure below \$140 million.

### **2003-05 GENERAL FUND APPROPRIATIONS**

1. Includes general fund appropriations of \$1.76 billion, \$15.1 million more than the 2001-03 legislative appropriations.
2. Major general fund appropriations increases (decreases) relate to:
  - a. Department of Public Instruction - \$36.3 million.
  - b. State employee salary and health insurance - \$12.7 million.
  - c. Department of Human Services - \$4.9 million.
  - d. Department of Corrections and Rehabilitation - \$3.7 million.
  - e. Department of Commerce - (\$2.5 million).
  - f. Information Technology Department - (\$9.1 million).
  - g. State Water Commission - (\$9.8 million).
  - h. Higher education - (\$13.2 million).

### **2003-05 SPECIAL FUNDS APPROPRIATIONS**

1. Includes special funds (estimated income) appropriations of \$3.23 billion, \$208.6 million more than the 2001-03 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
  - a. Federal funds - \$95.4 million.
  - b. Higher education - \$39.3 million.
  - c. Information Technology Department - \$22.4 million.
  - d. Department of Transportation - \$11.0 million.
  - e. Mill and Elevator - \$8.3 million.
  - f. State Water Commission - \$5.7 million.
  - g. Department of Human Services - \$5.1 million.
  - h. Children's Services Coordinating Committee - (\$5.7 million).

### **2003-05 FUNDING SOURCE CHANGES**

1. Uses \$17.3 million from the **student loan trust fund** for University System programs.
2. Uses **health care trust fund** (intergovernmental transfer program) money for:

- a. Department of Human Services 2001-03 biennium deficiency appropriation - \$16.3 million.
  - b. Department of Human Services 2003-05 programs - \$37.4 million.
  - c. State Department of Health 2003-05 programs - \$700,000.
- Section 17 of 2001 House Bill No. 1196 provides legislative intent that the June 30, 2003, unobligated balance in the health care trust fund and any investment earnings on that amount during the 2003-05 biennium not be appropriated but be retained in the fund to be used to continue, for periods subsequent to the 2003-05 biennium, the increased funding levels authorized by 2001 House Bill No. 1196.
3. Uses **water development trust fund** money for:
    - a. State Water Commission operating costs - \$9.2 million - Section 22 of 2001 House Bill No. 1022 provides legislative intent that the water development trust fund not be used as a source of funding for State Water Commission operating expenses after the 2001-03 biennium.
    - b. Repayment of 2001-03 biennium Bank of North Dakota loans obtained to pay the state's share of federal disaster relief funding for the following agencies during the 2003-05 biennium rather than as a deficiency appropriation in the 2001-03 biennium:
      - (1) Division of Emergency Management - \$8.9 million.
      - (2) University of North Dakota - \$1.2 million.
      - (3) Parks and Recreation Department - \$.6 million.
      - (4) North Dakota State University - \$.3 million.
  4. Authorizes the issuance of **revenue bonds** for the following agencies:
    - a. Information Technology Department - \$20.0 million (enterprise resource planning project - ConnectND).
    - b. Parks and Recreation Department - \$1.5 million (park improvements).

### **2003-05 - USE OF ONE-TIME REVENUES AND FUNDING SOURCES**

1. Uses \$54.5 million of revenue and funding sources that will likely not be available during the 2005-07 biennium. The one-time sources include:
  - a. The transfer of \$2 million from the state bonding fund - Also listed under the "2003-05 General Fund Revenues" section.

- b. The transfer of \$14.4 million from the permanent oil tax trust fund - Also listed under the “2003-05 General Fund Revenues” section.
- c. The use of \$38.1 million from the health care trust fund - Also listed under the “2003-05 Funding Source Changes” section.

### HIGHER EDUCATION

1. Decreases **general fund** support for higher education by \$13.0 million compared to the 2001-03 legislative appropriations in part due to the changing of the funding source for student grant programs (\$6 million) and competitive research (\$4 million) from the general fund to the student loan trust fund and a \$925,000 general fund reduction relating to the University System contingency and capital emergency funding.
2. Increases support from **special funds** by \$39.3 million compared to the 2001-03 legislative appropriations due to the changing of the funding source for student grant programs (\$6 million) and competitive research (\$4 million) from the state general fund to the student loan trust fund, providing \$7 million from the student loan trust fund for a new student internship program (\$2 million) and system initiatives (\$5 million), and increasing major capital projects funded from special funds by \$23 million.
3. Adjusts the authorized number of **FTE positions** from 3,088.55 to 2,400.38 to reflect agency reductions and to report only the number of FTE positions supported by the general fund.
4. Consolidates the University System office budget from 16 line items to nine (system governance, Title II, student grant programs, contingency and capital emergency, competitive research, board initiatives, system initiatives, technology pool, and capital assets) and the line items for higher education institutions into two line items in the University System office budget--campus operations and capital assets.
5. Provides funding of \$8.5 million, of which \$8.3 million is from the student loan trust fund and \$200,000 is from federal funds for the **student grant programs**, including funding for the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, education incentive programs, and a new student internship program. Previously, student grant programs received funding primarily from the general fund.
6. Provides \$4 million from the student loan trust fund for **competitive research** matching funding. This is the same level of funding provided for the 2001-03 biennium; however, previously, the competitive research funding was from the general fund.
7. Provides \$299.4 million from the general fund for support of the **operations of the higher education institutions**.
8. Provides \$120.1 million for **capital assets**, including \$12.8 million for capital construction lease payments, \$6.9 million for campus extraordinary repairs, \$3.1 million for campus energy projects, and \$97.3 million for major capital projects.

### ELEMENTARY EDUCATION

1. Provides a general fund appropriation of \$478.1 million for **state school aid**, an increase of \$4.1 million, or 1 percent, from the 2001-03 appropriation of \$474.0 million. The recommended **per student payment amounts** are \$2,430 during the first year of the biennium, an increase of \$83 (3.5 percent) from the 2002-03 payment of \$2,347 and \$2,528 for the second year, an increase of \$98 (4.0 percent) from the first-year payment. The weighted student units are 108,176 for the first year of the biennium, a decrease of 2,615 from the 2002-03 estimated weighted student units of 110,791, and 105,826 for the second year, a decrease of 2,350 from the first year.
2. Provides \$66.3 million from the general fund for **teacher compensation payments**, an increase of \$31.3 million, or 89.2 percent, from the 2001-03 appropriation of \$35.0 million. The funding continues the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for second-year returning teachers and provides an additional \$500 per third-year returning teacher in the first year of the 2003-05 biennium and an additional \$1,000 per fourth-year returning teacher in the second year of the biennium.
3. Includes funding of \$1.2 million from the general fund for **hold harmless payments** to school districts. The payments will be based on what school districts would have received if teacher compensation payments for the 2003-05 biennium remained constant at \$3,000 per teacher and funding recommended for additional teacher compensation payments was used to increase state school aid per student payments.
4. Anticipates **tuition fund distributions** of \$69.5 million, an increase of \$2.3 million, or 3.4 percent, from the 2001-03 appropriation of

\$67.2 million. The recommended appropriation will provide payments of approximately \$335 per census unit, an increase of \$35, or 11.7 percent, from the currently estimated 2000-01 and 2002-03 appropriated payment of \$300.

5. Provides \$49.9 million for general fund **special education grants**, the same level of funding appropriated for the 2001-03 biennium.
6. Provides \$3.2 million from the general fund for **revenue supplemental payments** to school districts pursuant to NDCC Section 15.1-27-11, an increase in funding of \$1 million from the 2001-03 biennium appropriation of \$2.2 million.
7. Includes funding of \$1 million from the general fund for **reorganization bonus payments** (\$500,000) and state cost-sharing assistance to districts entering into **joint powers agreements** (\$500,000). This represents a decrease in funding of \$665,000 from the 2001-03 biennium general fund appropriation of \$1,665,000 for reorganization bonus payments.

### HUMAN SERVICES

1. Eliminates **202.45 FTE positions** departmentwide, reducing salaries and wages by \$16.4 million, \$12 million of which is from the general fund. See Department 325 - Department of Human Services on the FTE schedule under the "State Employees" section for additional information.
2. Reflects the **additional state matching funds** required due to changes in the state's federal medical assistance percentage (FMAP). The FMAP determines the federal and state share of Medicaid expenditures. North Dakota's FMAP is decreasing from 69.87 percent in federal fiscal year 2002 to an estimated 67.47 percent in federal fiscal year 2005 requiring an estimated \$17.2 million of additional state matching funds.
3. Projects that **48,314 individuals will be eligible for medical assistance** during the 2003-05 biennium, 5,804 more than the 42,510 that were originally anticipated to be eligible for the 2001-03 biennium. The actual number of eligible individuals in November 2002 was 52,670. The executive budget recommends a number of eligibility and policy changes that are anticipated to reduce the number of eligible individuals by 3,518 in the 2003-05 biennium.
4. Creates a **prescription drug assistance program** for senior citizens with gross incomes of up to 210 percent of the federal poverty level. Eligibility will be determined by the counties, and assets are not considered when determining eligibility. Funding of \$10.3 million is provided for the 2003-05 biennium, of which \$3.4 million is from the general fund, to serve an estimated 15,850 senior citizens by the end of the 2003-05 biennium.
5. Eliminates **optional medical assistance services** for adults, including chiropractic, dental, hospice, and private duty nursing services. Funding removed for these services totals \$8.9 million, of which \$2.8 million is from the general fund, for the 2003-05 biennium.
6. Increases funding for medical assistance **prescription drug services** by \$19.7 million or 24.1 percent compared to anticipated expenditures for the 2001-03 biennium. The executive budget would require the department to develop a prescription drug cost-containment program for the 2003-05 biennium consisting of a preferred drug list, prior authorization, and supplemental rebates. The executive budget has reduced funding for prescription drug costs by \$9.6 million in anticipation of savings resulting from these cost-containment strategies. Without the cost-containment program, prescription drug costs are estimated to increase by \$29.2 million or 35.9 percent.
7. Changes a number of **medical assistance policies and eligibility requirements**, including limiting capital costs that hospitals may charge (\$1.8 million), limiting allowable charges to the Medicaid maximum allowable charge when medical assistance is the secondary payer to Medicare (\$6.1 million), allowing individuals to apply only up to \$15 per month toward their recipient liability for previous medical charges (\$2.2 million), and determining adult family members ineligible if the primary family wage earner works more than 100 hours per month (\$12.9 million).
8. Establishes a **provider tax** on intermediate care facilities for the mentally retarded (ICF/MR), including the Developmental Center. The tax is estimated to cost \$1.9 million from the general fund for increased provider reimbursement rates to allow for payment of the tax but is estimated to generate \$4 million of additional federal funds.
9. Increases funding for **nursing facility care** by \$11.5 million or 3.9 percent compared to the 2001-03 biennium original appropriation. Funding from the general fund is reduced by \$10.5 million, and funding from the health care trust fund is increased by \$20 million. The executive budget anticipates inflationary increases for nursing facilities of 3.66 percent for each year of the 2003-05 biennium but reduces nursing facility payment limits for direct care costs from 99 percent to 85 percent and

- eliminates nursing facility incentives and the 3 percent nursing facility operating margin.
10. Provides \$20.6 million, of which \$12.6 million is from the general fund and \$6.9 million is from the health care trust fund for **SPED and expanded SPED**, an increase of \$6 million or 41.1 percent over the \$14.6 million appropriated for the 2001-03 biennium.
  11. Provides \$400,000 of proceeds from the **sale of the LaHaug Building** to the Department of Corrections and Rehabilitation to remodel other State Hospital buildings for mental health and substance abuse programs previously housed in the LaHaug Building.
  12. Removes \$2.4 million from the general fund and 34 FTE positions from the **State Hospital** due to the transfer of the **laundry and food service** facilities to the Department of Corrections and Rehabilitation.
  13. Provides a **funding pool** of \$250,000 from the general fund to be distributed to human service centers for mental health and substance abuse services based on the needs of each region.
  14. Replaces **one-time funding** of \$2.6 million appropriated for the 2001-03 biennium from human service center collections with funding from the general fund. The department's 2001-03 biennium budget included human service center income generated prior to the 2001-03 biennium and not spent as additional one-time special funds income which is not available for the 2003-05 biennium

### CAPITAL CONSTRUCTION

1. Includes a total of \$690,990,721 for the following capital projects:
  - a. \$112,441,357 for major capital projects.
  - b. \$20,474,084 for extraordinary repairs.
  - c. \$558,075,280 for other projects (including \$438,012,365 for the Department of Transportation and \$98,168,213 for the State Water Commission).

The funding sources for major capital projects and extraordinary repairs and other projects are as follows:

	General Fund	Special Funds
Major capital projects	\$3,397,129	\$109,044,228
Extraordinary repairs and other projects	25,348,427	553,200,937
Total	\$28,745,556	\$662,245,165

2. Authorizes the State Water Commission to issue up to \$60 million in bonds for **water and flood control projects** during the 2003-05 biennium.
3. Authorizes the following major capital construction projects to be financed by **bonding**:

State Department of Health - East Laboratory remodeling and morgue and storage annex	\$1,574,865
Department of Corrections and Rehabilitation - Food service and laundry facilities remodeling	2,662,890
Parks and Recreation Department - State parks improvements	1,477,500
Total	\$5,715,255

### STATE EMPLOYEES

1. Provides funding for state employee **salary increases** equal to 1 percent of salaries effective January 1, 2004, and 2 percent effective January 1, 2005. Funding provided for these increases totals \$8.5 million, of which \$4.2 million is from the general fund. The executive budget recommendation does not provide higher education institutions specific funding for salary or health insurance increases. The increases are to be provided from the funding recommended in total for the University System.
2. Provides funding to the judicial branch for district court **judges' salary increases** of 3 percent for the first year of the biennium and 3 percent for the second year of the biennium. Salary increases for Supreme Court justices are 3 percent the first year of the biennium and 2 percent for the second year of the biennium.
3. Continues funding for the cost of **health insurance premiums** for state employees. The executive budget provides \$493 per month for employee health insurance, an increase of \$84 or 20.6 percent compared to the 2001-03 biennium premium of \$409.
4. Includes a total of 10,829.59 **FTE positions**, 831.58 FTE positions fewer than the 2001-03 authorized level. This includes a reduction of 688.17 higher education FTE positions to reflect campus reductions and to report only the number of FTE positions funded from the general fund. The net decrease excluding the higher education positions is 143.41 FTE positions. The recommendation includes the addition of 176 new FTE positions and the deletion of 319.41 FTE positions. The cost of the 176 new FTE positions totals \$14,198,430 for the 2003-05 biennium, including salary and health insurance increases. Of this amount, \$7,236,351 is from the

general fund. Funding reductions relating to the 319.41 deleted FTE positions totals \$27,291,565 for the 2003-05 biennium, including salary and health insurance increases. Of this amount, \$18,185,171 is from the general fund.

### **CORRECTIONS**

1. Provides \$6.8 million for transferring, renovating, and operating the **food service and laundry facilities** currently owned and operated by the State Hospital. Of the \$6.8 million, \$2.7 million is from proceeds from the issuance of bonds for renovating the facilities and \$4.2 million, of which \$3.6 million is from the general fund, is for operating the facilities. An additional 23 FTE positions are authorized; 15 of which would be transferred from the State Hospital.
2. Provides \$6.7 million for purchasing and remodeling the first and second floors of the LaHaug Building for use as a **women's prison**. The prison will begin with 174 beds available but could increase to 272 beds by "double bunking" inmates. The building is currently owned and utilized by the State Hospital. The State Hospital will continue using the basement of the building. Of the \$6.7 million, \$1.2 million is from federal funds that will be used to purchase the building from the State Hospital (\$400,000) and for remodeling costs (\$800,000), and \$5.5 million from the general fund is for operating costs for the 2003-05 biennium. An additional 65 FTE positions are authorized for the women's prison.
3. Provides \$2.8 million, of which \$2.7 million is from the general fund, including 3 FTE positions for a **prerevocation center** to serve offenders who violate their terms of probation who would otherwise be petitioned back to the court for revocation of their probation.
4. Collocates the prerevocation center (30 beds), the Tompkins Rehabilitation and Corrections Unit (22 beds), and the DUI offender treatment program (24 beds) in the nurses building at the State Hospital.
5. Removes \$3.3 million from the general fund for costs of **contracting** with out-of-state facilities to house North Dakota inmates.
6. Reduces funding for salaries and wages by \$1.6 million from the general fund to recognize **anticipated salary savings** relating to possible delays in filling new positions and employee turnover.

### **INFORMATION TECHNOLOGY DEPARTMENT**

1. Decreases funding for the **statewide information technology network** by \$2.2 million from \$10.0 million to \$7.8 million.
2. Increases funding for the **enterprise resource planning system initiative - ConnectND** from \$7.5 million to \$20 million and changes the funding source for the initiative from the state general fund to special funds from revenue bond proceeds.
3. Provides \$4.7 million from special funds for the **criminal justice information sharing initiative**.
4. Provides \$194,960 from special funds for 2.5 new FTE positions with the Division of Independent Study and \$200,242 from the general fund for one new FTE position with the Educational Technology Council.
5. Decreases funding from the general fund for **Educational Technology Council grants** by \$410,000 from \$922,822 to \$512,822.
6. Provides \$200,000 from the general fund to **EduTech** for kindergarten through grade 12 antivirus software.

### **ECONOMIC DEVELOPMENT - GROWING NORTH DAKOTA**

1. Provides a total of \$20.3 million from the general fund for economic development/Growing North Dakota activities, a decrease of \$2.9 million from the 2001-03 biennium. Major changes made include:
  - a. Removing \$2.35 million from the general fund for transfer to the development fund in the Department of Commerce.
  - b. Reducing funding for the PACE fund at the Bank of North Dakota by \$300,000 to \$5.7 million.
  - c. Reducing Work Force 2000 in Job Service North Dakota by \$100,000 to \$2,000,000.

### **TRANSPORTATION**

1. Anticipates **federal highway construction funds** of \$165 million for each year of the 2003-05 biennium compared to \$169 million in federal fiscal year 2001 and \$181 million in federal fiscal year 2002.
2. Provides \$40.8 million, of which \$9.6 million is from federal funds and \$31.2 million is from the highway fund for **highway maintenance**, an increase of \$10.8 million compared to the 2001-03 biennium, of which \$9.6 million is from federal funds and \$1.2 million is from the highway fund.

3. Provides \$15.0 million for **consulting engineers**, \$9.6 million less than the 2001-03 biennium.

### **LEWIS AND CLARK BICENTENNIAL**

1. Provides \$3 million, of which \$2.4 million is from the general fund for Lewis and Clark Bicentennial activities and projects. The 2001 Legislative Assembly appropriated \$3.3 million, all of which was from the general fund for Lewis and Clark Bicentennial activities and projects for the 2001-03 biennium. Funding recommended for each agency for the 2003-05 biennium includes:

- a. \$853,147 from the general fund for the Tourism Division of the Department of Commerce for marketing and promoting Lewis and Clark Bicentennial activities in North Dakota.
- b. \$1,025,295 from the general fund for the Historical Society for the Double Ditch Field School, programming, and marketing for Lewis and Clark Bicentennial initiatives.
- c. \$183,750 from the general fund for the Council on the Arts for grants and other costs relating to Lewis and Clark Bicentennial activities.
- d. \$971,486, of which \$321,486 is from the general fund for the Parks and Recreation Department for capital projects at state parks and other costs associated with Lewis and Clark Bicentennial activities.

**MAJOR GENERAL FUND REVENUE CHANGES - 2003-05 EXECUTIVE BUDGET REVENUE FORECAST  
COMPARED TO 2001-03 ORIGINAL AND REVISED REVENUE FORECASTS**

General Fund Revenue Sources and Beginning Balance	2001-03 Original Legislative Revenue Forecast	Increase (Decrease) 2001-03 Revised Forecast Compared to 2001-03 Original Forecast	2001-03 Revised Revenue Forecast	Increase (Decrease) 2003-05 Executive Budget Forecast Compared to 2001-03 Revised Forecast	2003-05 Executive Budget Revenue Forecast	Total Increase (Decrease) 2003-05 Executive Budget Forecast Compared to 2001-03 Original Forecast
Beginning balance	\$52,662,700 <sup>\1</sup>	\$9,577,952	\$62,240,652 <sup>\2</sup>	(\$58,377,743)	<b>\$3,862,909</b> <sup>\3</sup>	(\$48,799,791)
Sales and use tax	643,705,000	2,626,333	646,331,333	29,963,667	<b>676,295,000</b>	32,590,000
Motor vehicle excise tax	113,531,000	8,326,675	121,857,675	8,379,325	<b>130,237,000</b>	16,706,000
Individual income tax	450,847,000	(61,849,909)	388,997,091	42,313,909	<b>431,311,000</b>	(19,536,000)
Corporate income tax	104,439,000	(18,840,703)	85,598,297	4,955,703	<b>90,554,000</b> <sup>\4</sup>	(13,885,000)
Insurance premium tax	39,896,000	7,793,204	47,689,204	3,813,796	<b>51,503,000</b>	11,607,000
Cigarette and tobacco tax	38,796,000	906,582	39,702,582	27,661,418 <sup>\5</sup>	<b>67,364,000</b> <sup>\5</sup>	28,568,000 <sup>\5</sup>
Oil and gas production tax	38,431,000	728,000	39,159,000 <sup>\6</sup>	(142,085) <sup>\6</sup>	<b>39,016,915</b> <sup>\6</sup>	585,915 <sup>\6</sup>
Oil extraction tax	23,569,000	(728,000)	22,841,000 <sup>\6</sup>	3,557,744 <sup>\6</sup>	<b>26,398,744</b> <sup>\6</sup>	2,829,744 <sup>\6</sup>
Coal conversion tax	48,670,000	(1,073,498)	47,596,502	1,207,498	<b>48,804,000</b>	134,000
Departmental collections	48,977,350	8,330,650	57,308,000	(7,079,425)	<b>50,228,575</b>	1,251,225
Transfer - Bank of North Dakota	60,000,000	0	60,000,000	0	<b>60,000,000</b>	0
Transfer - Bank of North Dakota (contingent)	0	22,862,442	22,862,442 <sup>\7</sup>	(22,862,442)	<b>0</b>	0
Other	95,454,357	(5,519,242)	89,935,115	6,639,085	<b>96,574,200</b>	1,119,843
<b>Total general fund revenues and beginning balance</b>	<b><u>\$1,758,978,407</u></b>	<b><u>(\$26,859,514)</u></b>	<b><u>\$1,732,118,893</u></b>	<b><u>\$40,030,450</u></b>	<b><u>\$1,772,149,343</u></b>	<b><u>\$13,170,936</u></b>

<sup>\1</sup> Original estimate for the July 1, 2001, balance.

<sup>\2</sup> Actual July 1, 2001, balance.

<sup>\3</sup> Estimated July 1, 2003, balance - The executive budget recommendation projects a July 1, 2003, general fund balance of \$3,862,909, based on adjusted 2001-03 appropriation authority of \$1,732,118,893 (legislative appropriations of \$1,746,983,713, less the 1.05 percent state agency allotment of \$18.3 million, plus additional state matching funds for the intergovernmental transfer program of \$3.5 million) and the revised 2001-03 general fund revenue forecast of \$1,669,878,241, which includes a contingent Bank of North Dakota transfer of \$22.9 million, pursuant to Section 12 of 2001 House Bill 1015. The \$3.9 million balance represents the executive budget estimate of agency 2001-03 general fund turnback.

<sup>\4</sup> The Governor is proposing to decouple the state corporate income tax from the federal corporate income tax. The new rates would be established to be revenue-neutral.

<sup>\5</sup> The executive budget revenue forecast provides for an increase in cigarette and tobacco taxes of approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack. These increases are estimated to result in additional general fund revenue of \$29.7 million for the 2003-05 biennium.



\6 North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that if, at the end of any biennium, oil and gas production and extraction tax collections during the biennium exceed \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. This section provides that money in the permanent oil tax trust fund may only be spent upon approval of two-thirds of the members-elect of each house of the Legislative Assembly. Interest on money in the fund is transferred to the general fund.

Total oil and gas tax collections were \$75.2 million during the 1999-2001 biennium, resulting in \$13.2 million being transferred to the permanent oil tax trust fund.

Total oil and gas tax collections are estimated to be \$63.2 million during the 2001-03 biennium, resulting in \$1.2 million being transferred to the permanent oil tax trust fund at the end of that biennium.

Total oil and gas tax collections are estimated to be \$65.4 million during the 2003-05 biennium. The Office of Management and Budget recommends in Section 13 of Senate Bill No. 2015 that NDCC Section 57-51.1-07.2, providing for transfers of oil and gas tax collections in excess of \$62 million, be suspended during the 2003-05 biennium.

\7 Anticipated contingent Bank of North Dakota transfer of \$22,862,442 based on the executive budget recommendation.

## GENERAL FUND APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares general fund appropriations recommended in the 2003-05 executive budget to the 2001-03 appropriations approved by the 2001 Legislative Assembly and lists major changes:

	<b>2001-03 Original Legislative Appropriations</b>	<b>Increase (Decrease) From 2001-03</b>	<b>2003-05 Executive Budget</b>
General fund appropriations	<u>\$1,746,983,713</u>	<u>\$15,120,221</u>	<u>\$1,762,103,934</u>
Major changes include:			
Recommended salary and health insurance increase		\$12,702,936	
Department of Public Instruction		36,303,341	
Higher education		(13,182,902)	
State Water Commission		(9,815,151)	
Information Technology Department		(9,089,482)	
Department of Human Services		4,899,345	
Department of Corrections and Rehabilitation		3,670,392	
Department of Commerce		(2,492,450)	
Other net changes		<u>(7,875,808)</u>	
Total		<u>\$15,120,221</u>	

Major changes and key recommendations affecting 2003-05 general fund appropriations include:

1. **Recommended salary and health insurance increase - \$12,702,936.** The executive budget recommends funding for state employee salary increases of 1 percent effective January 1, 2004, and 2 percent effective January 1, 2005. The general fund portion of the executive budget salary and fringe benefits increase package is \$12.7 million. See "State Employees" section for additional information on state employee salary increases.
2. **Department of Public Instruction - \$36,303,341.** The executive budget provides a general fund appropriation of \$478,056,990 for state school aid, an increase of \$4,085,342 from the 2001-03 legislative appropriation of \$473,971,648, and provides a general fund appropriation of \$66,277,000 for teacher compensation payments, an increase of \$31,241,000 from the 2001-03 legislative appropriation of \$35,036,000. See "Elementary Education" section for additional information.
3. **Higher education - (\$13,182,902).** For higher education, the executive budget recommends changing the funding source from the state general fund to the student loan trust fund for student grant programs (\$6 million) and competitive research (\$4 million) and provides a general fund reduction of \$925,000 for University System contingency and capital improvement emergency funding. See "Higher Education" section for additional information.
4. **State Water Commission - (\$9,815,151).** The executive budget recommends funding the agency entirely from the resources trust fund, the water development trust fund, and federal funds for the 2003-05 biennium. For the 2001-03 biennium, funding

for the agency's administrative expenses (\$9,733,820) were from the state general fund, with the same amount transferred to the general fund from the water development trust fund.

5. **Information Technology Department - (\$9,089,482).** The executive budget recommends changing the funding source from the state general fund to special funds for the enterprise resource planning (ERP) system initiative. For the 2001-03 biennium, the department received a \$7.5 million general fund appropriation to begin the ERP system initiative. The 2003-05 executive budget recommends issuing bonds to generate \$20 million to continue the initiative.
6. **Department of Human Services - \$4,899,345.** The executive budget reduces general fund support for medical assistance - nursing facility care by \$10.5 million and provides an additional \$20 million from the health care trust fund, increases general fund support for the service payments for elderly and disabled (SPED) and expanded SPED program by \$5.5 million, and creates a prescription drug program for low-income senior citizens with \$3.4 million from the general fund. See "Human Services" section for additional information.
7. **Department of Corrections and Rehabilitation - \$3,670,392.** The executive budget provides funding of \$6,511,324 from the general fund for 91 new FTE positions and provides funding of \$2,711,325 from the general fund for establishment of a prerevocation center. The executive budget recommends decreasing general fund spending authority and increasing other funds spending authority by \$1,190,008 for the operation of a transitional center, decreasing funding from the general fund by \$3,336,415 to remove the majority of funding for the external housing of inmates, and by \$1,116,117 to recognize anticipated salary savings relating to possible delays in filling recommended new FTE positions and other vacant positions.
8. **Department of Commerce - (\$2,492,450).** The executive budget removes funding for transfer to the development fund of \$2,350,000.

## SPECIAL FUNDS APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares all funds and special funds appropriations included in the 2003-05 executive budget to the 2001-03 appropriations approved by the 2001 Legislative Assembly and lists major special funds sources changes:

	<b>2001-03 Original Legislative Appropriations</b>	<b>Increase (Decrease) From 2001-03</b>	<b>2003-05 Executive Budget</b>
All funds appropriations	\$4,769,680,696	\$223,690,406	\$4,993,371,102
Less general fund appropriations	<u>1,746,983,713</u>	<u>15,120,221</u>	<u>1,762,103,934</u>
Total special funds appropriations	<u><u>\$3,022,696,983</u></u>	<u><u>\$208,570,185</u></u>	<u><u>\$3,231,267,168</u></u>
Major special funds sources and changes include:			
Federal funds	\$1,930,335,836 <sup>1</sup>	\$95,354,950	\$2,025,690,786
Higher education	80,367,201	39,250,713	119,617,914
Information Technology Department	75,192,130	22,389,600	97,581,730
Department of Transportation	311,507,336	11,012,042	322,519,378
Mill and Elevator	21,741,294	8,276,988	30,018,282
Children's Services Coordinating Committee	7,821,811	(5,694,717)	2,127,094
State Water Commission	114,887,064	5,669,483	120,556,547
Department of Human Services	116,823,327	5,115,965	121,939,292
Department of Corrections and Rehabilitation	13,799,410	3,372,083	17,171,493
Department of Public Instruction	68,524,018	3,085,377	71,609,395
Game and Fish Department	22,316,825	2,887,028	25,203,853
Job Service North Dakota	3,188,620	(2,658,016)	530,604
Parks and Recreation Department	2,589,983	2,449,776	5,039,759
Retirement and Investment Office	2,790,133	2,074,240	4,864,373
Other	<u>250,811,995</u>	<u>15,984,673</u>	<u>266,796,668</u>
Total	<u><u>\$3,022,696,983</u></u>	<u><u>\$208,570,185</u></u>	<u><u>\$3,231,267,168</u></u>

<sup>1</sup> The amount shown is the total federal funds appropriated by the Legislative Assembly as reported by state agencies on a survey for the Budget Section completed in October 2002.

Major changes and key recommendations affecting 2003-05 special funds appropriations include:

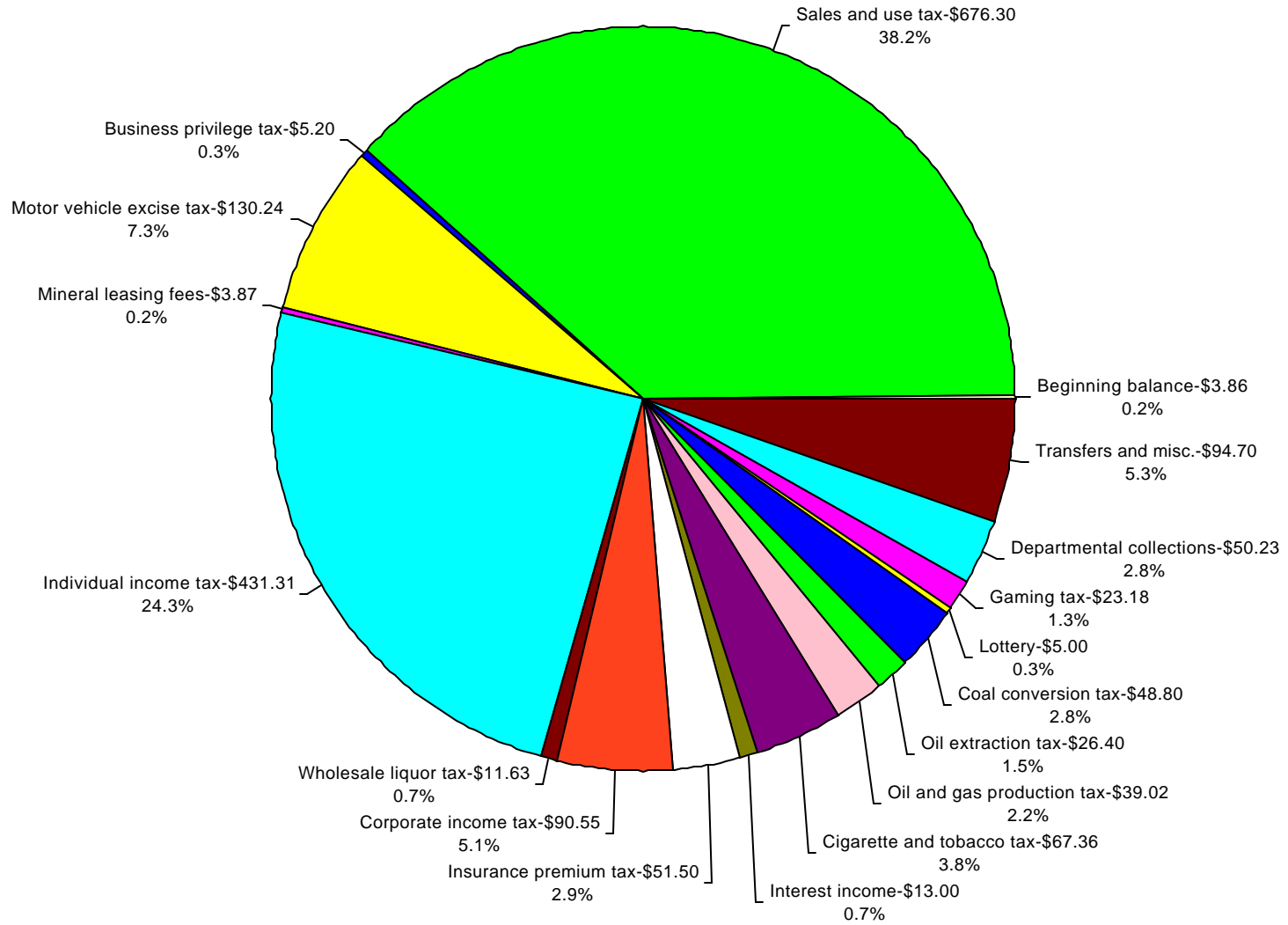
1. **Federal funds - \$95,354,950.** The executive budget recommends a federal fund increase of \$95.4 million, including an increase of \$74.7 million for the Department of Human Services and \$30.2 million for the Department of Public Instruction.

2. **Higher education - \$39,250,713.** The executive budget recommends changing the funding source from the state general fund to funding from the student loan trust fund for student grant programs (\$8 million) and competitive research (\$4 million) and provides funds from the student loan trust fund for establishing Centers for Excellence in the North Dakota University System (\$5 million). In addition, the executive budget recommends increasing major capital project funding from special funds by \$23 million. See "Higher Education" section for additional information.
3. **Information Technology Department - \$22,389,600.** The executive budget recommends changing the funding source from the state general fund to special funds for the enterprise resource planning (ERP) system initiative. For the 2001-03 biennium, the department received a \$7.5 million general fund appropriation to begin the ERP system initiative, and the 2003-05 executive budget recommends issuing \$20 million of bonds to continue the initiative.
4. **Department of Transportation - \$11,012,042.** The executive budget increases funding for highway construction and maintenance by \$12 million, increases funding for Fleet Services by \$3.6 million, and removes contingent funding for a general license plate issue of \$3.2 million.
5. **Mill and Elevator - \$8,276,988.** The executive budget recommends increasing funding for operating costs (\$5,460,950) and increasing salaries and wages funding for increased costs associated with employee wages and benefits (\$2,564,308).
6. **Children's Services Coordinating Committee - (\$5,694,717).** The executive budget reduces the funding projected to be available from "refinancing" due to a federal policy change relating to the allowable uses of federal IV-E foster care funds.
7. **State Water Commission - \$5,669,483.** The executive budget recommends changing the funding source for agency operating costs of \$9.2 million from the general fund to the water development trust fund.
8. **Department of Human Services - \$5,115,965.** The executive budget increases the funds appropriated from the health care trust fund for department programs by \$634,076 and creates an assessment fee on intermediate care facilities for the mentally retarded (ICF/MR) based on all facilities' gross revenues in the previous year, which is estimated to generate \$5.8 million of special funds for the department for the 2003-05 biennium.
9. **Department of Corrections and Rehabilitation - \$3,372,083.** The executive budget recommends increasing special funds for two new parole and probation officer FTE positions in the Adult Services Division (\$182,688) and provides capital project funding from state bonding proceeds for Phase II of the James River Correctional Center master plan (\$2,662,890).
10. **Department of Public Instruction - \$3,085,377.** The executive budget recommends increasing the Department of Public Instruction's appropriation from the state tuition fund by \$2,256,346, from \$67,239,025 to \$69,495,371.
11. **Game and Fish Department - \$2,887,028.** The executive budget recommends increasing special funds for capital improvements (\$744,136) and for three new biologist FTE positions for habitat and access programs (\$241,922).
12. **Job Service North Dakota - (\$2,658,016).** The executive budget removes one-time special funds of \$2,302,000 provided to the department during the 2001-03 biennium for construction of a new Bismarck service delivery building.

13. **Parks and Recreation Department - \$2,449,776.** The executive budget recommends increasing special funds for Lewis and Clark Bicentennial initiatives (\$440,000) and capital projects (\$1,104,500). The executive budget recommendation also provides a special funds appropriation of \$575,278 from the water development trust fund for repayment of a loan relating to disaster-related payments.
14. **Retirement and Investment Office - \$2,074,240.** The executive budget recommends increasing special funds by \$2 million for a retirement administration system upgrade to replace the current mainframe system.

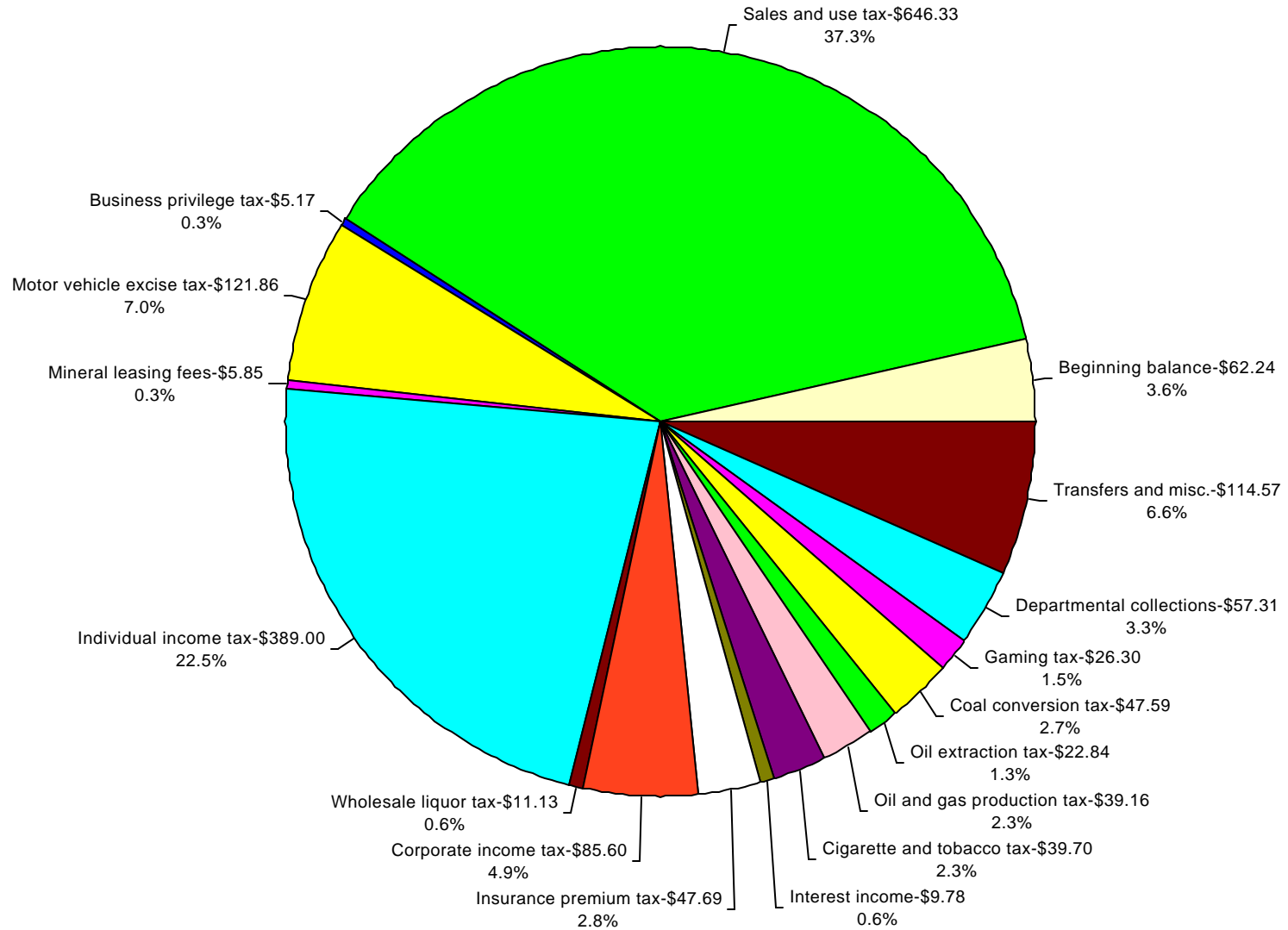
# 2003-05 ESTIMATED GENERAL FUND REVENUES

Total 2003-05 Estimated General Fund Revenues - \$1,772.15  
(Amounts shown in millions)



# 2001-03 ESTIMATED GENERAL FUND REVENUES

Total 2001-03 Estimated General Fund Revenues - \$1,732.12  
(Amounts shown in millions)

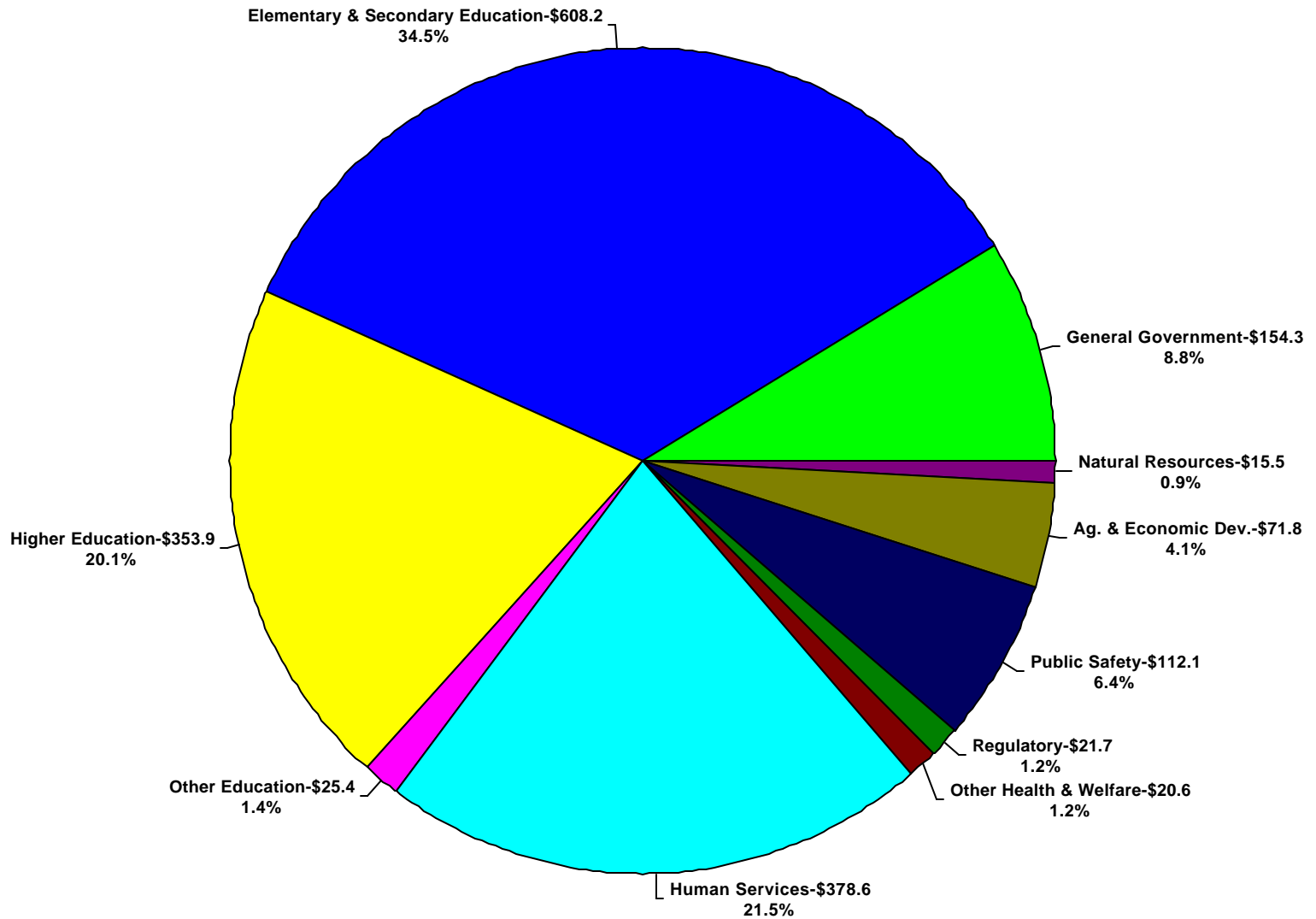




# 2003-05 BIENNIUM RECOMMENDED GENERAL FUND APPROPRIATIONS

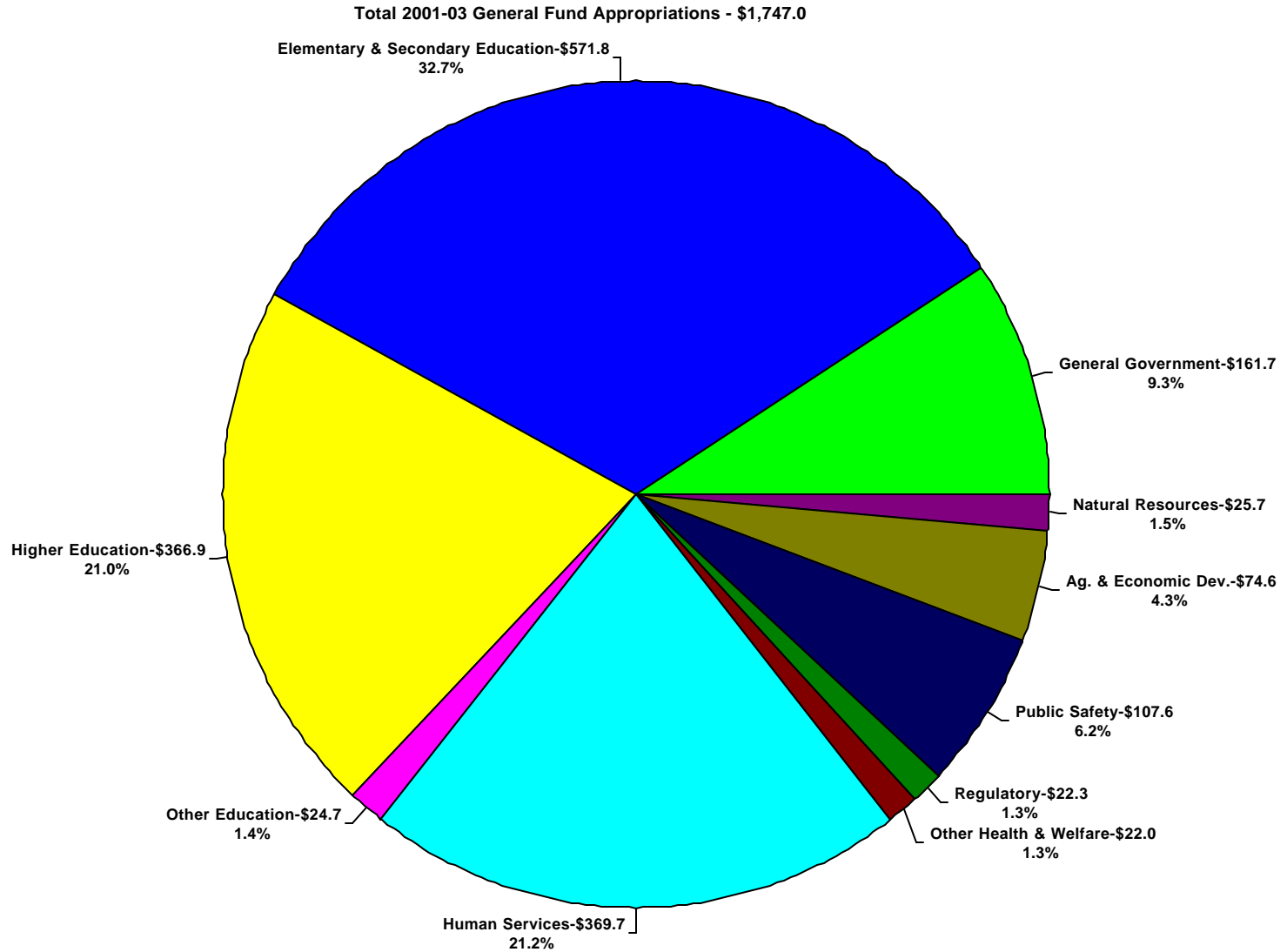
Amounts shown in millions

Total 2003-05 Executive Budget General Fund Recommendation - \$1,762.1



# 2001-03 BIENNIUM GENERAL FUND APPROPRIATIONS

Amounts shown in millions

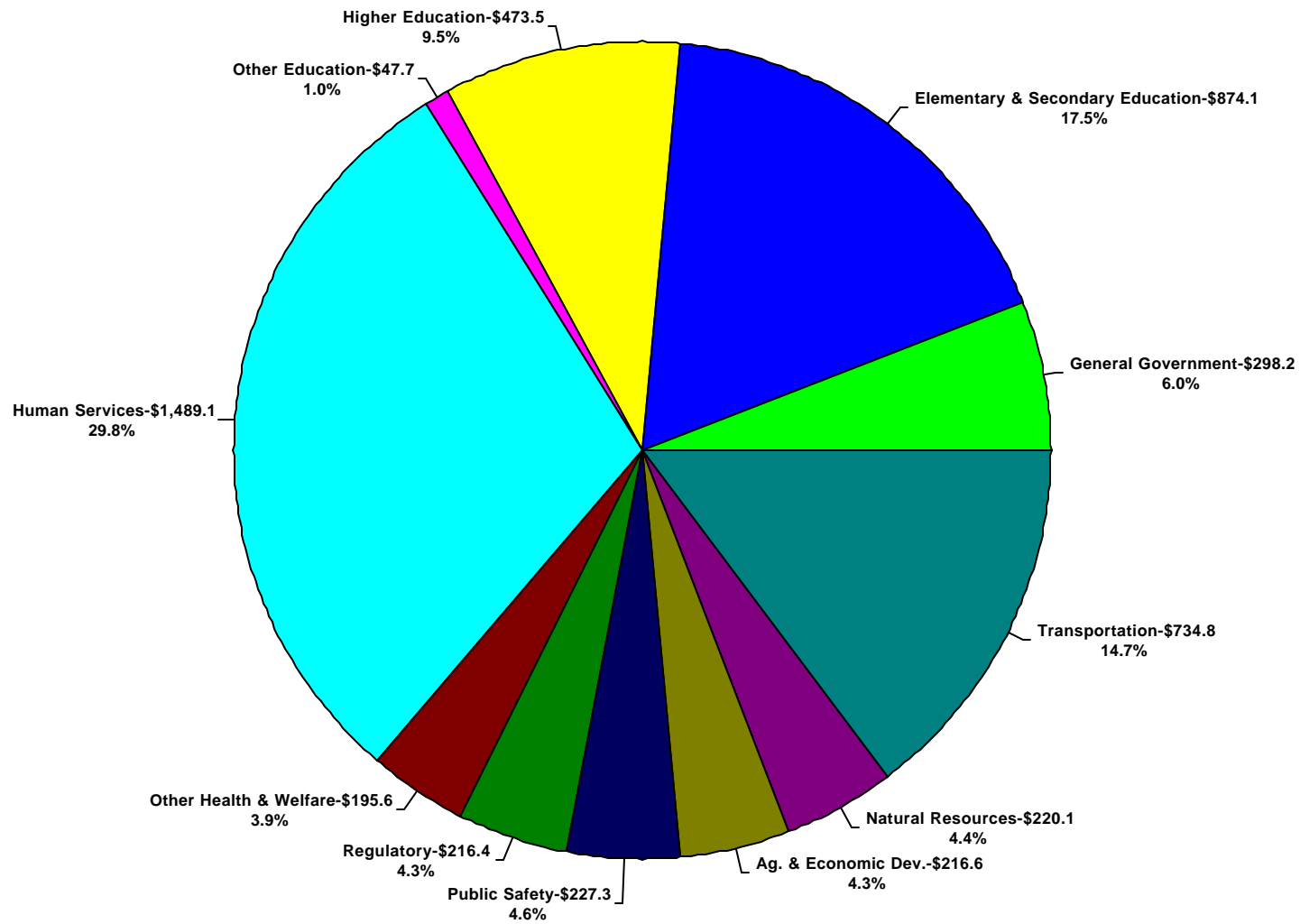


NOTE: The 2001-03 general fund appropriations are the amounts appropriated by the 2001 Legislative Assembly and do not include reductions relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

# 2003-05 BIENNIUM RECOMMENDED ALL FUNDS APPROPRIATIONS

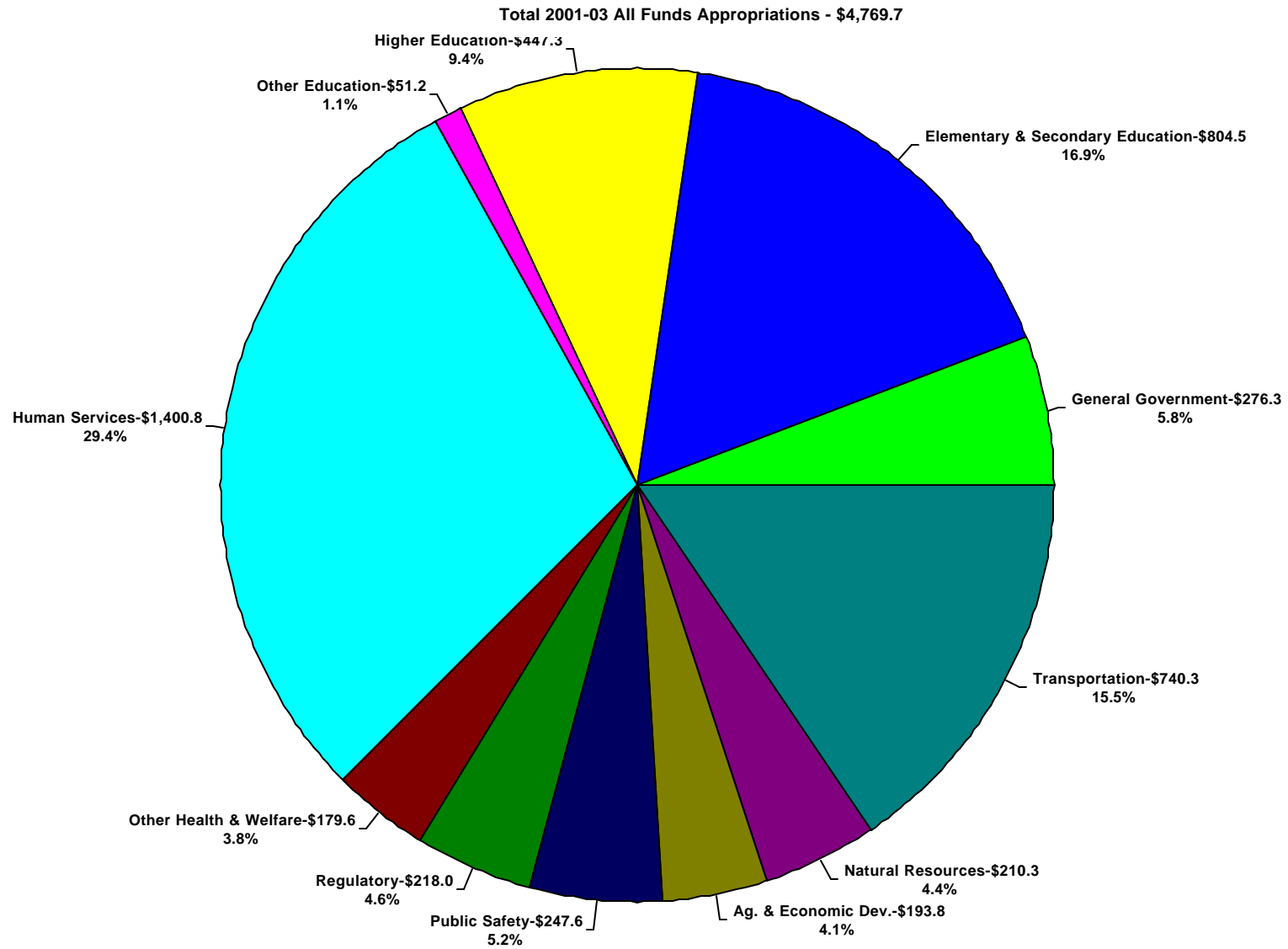
Amounts shown in millions

Total 2003-05 Executive Budget All Funds Recommendation - \$4,993.4



# 2001-03 BIENNIUM ALL FUNDS APPROPRIATIONS

Amounts shown in millions



NOTE: The 2001-03 all funds appropriations are the amounts appropriated by the 2001 Legislative Assembly and do not include general fund reductions relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

## 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 legislation by the 2003 Legislative Assembly to implement:

### REVENUES

1. Increases the cigarette and tobacco tax by approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack (2003 Senate Bill No. 2076).
2. Decouples the state corporate income tax from the federal corporate income tax (as of December 20, 2002, a bill to make this change has not been introduced).
3. Increases overweight vehicle assessments and fees (2003 House Bill No. 1112). Example increases include:
  - a. The fee for being 2000 pounds overweight increases by \$40, from \$20 to \$60.
  - b. The fee for being 7,500 pounds overweight increases by \$40, from \$600 to \$640.
  - c. The fee for being 15,000 pounds overweight increases by \$300, from \$1,500 to \$1,800.
  - d. The fee for being 25,000 pounds overweight remains at \$5,000.

### FUNDING TRANSFERS

1. Provides for transfers from Bank of North Dakota profits to the general fund of \$60 million and contingent transfers of up to \$25 million, the same amounts authorized for the 2001-03 biennium. The transfers may not reduce the Bank's capital structure below \$140 million, the same minimum level set for the 2001-03 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 2003-05 biennium indicate that general fund revenues will be less than the estimates approved by the 2003 Legislative Assembly. The transfers may not exceed the actual amount that revenues are less than estimated (Sections 9 and 10 of 2003 Senate Bill No. 2015). Based on the executive budget recommendations that anticipate a total transfer from the Bank of North Dakota of

\$83 million during the 2001-03 biennium and \$60 million during the 2003-05 biennium, the Bank's capital at the end of the 2003-05 biennium is projected to be \$147 million.

2. Provides for transfers from Mill and Elevator Association profits to the general fund of \$5 million, \$1 million less than the \$6 million transfer authorized for the 2001-03 biennium (Section 9 of 2003 House Bill No. 1015).
3. Provides for a transfer from the state bonding fund to the general fund of \$2 million (as of December 20, 2002, a bill authorizing this transfer has not been introduced).
4. Provides for a transfer from the lands and minerals trust fund to the general fund of \$3,000,000, \$545,102 less than the transfer authorized for the 2001-03 biennium (Section 6 of 2003 Senate Bill No. 2015).
5. Provides for a transfer from the student loan trust fund to the general fund of \$9 million, the same amount authorized for the 2001-03 biennium (Section 12 of 2003 Senate Bill No. 2015).
6. Provides for a transfer of the July 1, 2003, balance in the permanent oil tax trust fund to the general fund of an estimated \$14,358,056 (Section 7 of 2003 Senate Bill No. 2015).
7. Amends North Dakota Century Code (NDCC) Section 57-51.1-07.2 to preclude any oil extraction tax or oil and gas production tax collections exceeding \$62 million from being deposited in the permanent oil tax trust fund for the 2003-05 biennium. This change is estimated to result in \$3,415,659 remaining in the general fund rather than being deposited in the permanent oil tax trust fund at the end of the 2003-05 biennium (Section 13 of 2003 Senate Bill No. 2015).

### ELEMENTARY EDUCATION

1. Increases per student payments from \$2,347 being provided for the second year of the 2001-03 biennium to \$2,430 for the first year of the 2003-05 biennium and \$2,528 for the second year of the 2003-05 biennium (2003 Senate Bill No. 2154).
2. Adjusts the weighting factors for calculating per student state aid payments to school districts from the current level of 75 percent of the five-year average to 85 percent for the first year of the 2003-05

biennium and to 100 percent for the second year of the 2003-05 biennium (2003 Senate Bill No. 2154).

3. Continues the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for second-year teachers and provides an additional \$500 for each third-year returning teacher in the first year of the 2003-05 biennium and an additional \$1,000 for each fourth-year returning teacher in the second year of the biennium (2003 Senate Bill No. 2154).
4. Changes the formula used for determining school district supplemental payments to allow the Department of Public Instruction to determine the final factor that will result in the expenditure of all funds appropriated for these payments for the biennium (2003 Senate Bill No. 2154).

### **HIGHER EDUCATION**

1. Continues provisions approved by the 2001 Legislative Assembly allowing a continuing appropriation of higher education institutions' special revenue funds, including tuition (2003 House Bill No. 1039 (Legislative Council bill)).
2. Continues authorization for the University System to carry over at the end of each biennium unspent general fund appropriations (2003 House Bill No. 1040 (Legislative Council bill)).
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 (2003 House Bill No. 1041 (Legislative Council bill)). The Legislative Council recommended that each higher education institution be provided a base funding appropriation, an initiative funding appropriation, and a capital assets appropriation. The executive budget appropriates funding for these components but consolidates the funding for all higher education institutions into one appropriation.
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 (2003 House Bill No. 1042 (Legislative Council bill)).

### **HUMAN SERVICES**

1. Assesses intermediate care facilities for the mentally retarded (ICF/MR) a quarterly fee equal to 1.5 percent of all facilities' gross revenues for the previous year based on each facility's licensed beds (2003 Senate Bill No. 2153).
2. Removes statutory provisions requiring the Department of Human Services to establish efficiency incentives for nursing facilities (2003 Senate Bill No. 2090).
3. Removes statutory provisions requiring the Department of Human Services to provide an operating margin of at least 3 percent for a nursing facility's direct care and other direct care cost categories (2003 Senate Bill No. 2090).
4. Continues targeted case management and assessment services for eligible elderly and disabled individuals who are at risk of requiring long-term care services. These services were authorized by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2085).
5. Requires the Department of Human Services to establish cost-containment strategies for prescription drugs in the medical assistance program, including the development of a preferred drug list, prior authorization, and the possibility of negotiating supplemental rebates from drug manufacturers (2003 Senate Bill No. 2088).
6. Continues allowing children and family coverage groups and pregnant women to be eligible for medical assistance without considering assets. This change was made by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2074).
7. Continues medical assistance coverage for breast and cervical cancer treatment. This coverage was added by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2089).
8. Discontinues medical assistance coverage for orthodontic services related to oral maxillofacial surgical services. This coverage was added by the 2001 Legislative Assembly (2003 Senate Bill No. 2087).

### **BONDING**

1. Authorizes the State Building Authority to issue bonds for computer system projects (2003 House Bill No. 1162).
2. Authorizes the State Building Authority to issue \$20 million of bonds for the ConnectND computer system project to be repaid

from fees charged to users of the system (2003 House Bill No. 1022).

3. Authorizes the State Building Authority to issue \$1.5 million of bonds for park improvement projects to be repaid from park revenues (2003 Senate Bill No. 2021).
4. Repeals NDCC Section 55-08-14 that authorizes the Parks and Recreation Department to issue bonds for revenue-producing projects at select state parks (Section 9 of 2003 Senate Bill No. 2021).

### **WATER COMMISSION**

1. Authorizes the Water Commission to issue up to \$60 million of bonds for water-related projects (Section 9 of 2003 Senate Bill No. 2022).
2. Authorizes the Water Commission to obtain up to \$25 million of interim financing from the Bank of North Dakota until bond proceeds are available. The interim financing is to be repaid from either bond proceeds or funds available in the water development trust fund (Sections 7 and 8 of 2003 Senate Bill No. 2022).
3. 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 5 and 6 of 2003 Senate Bill No. 2022).

### **HEALTH DEPARTMENT**

1. Allows the State Department of Health to make joint purchases with public health units (Section 15 of 2003 House Bill No. 1004).

### **CHILDREN'S SERVICES COORDINATING COMMITTEE**

1. Removes percentage restrictions on the maximum balances the Children's Services Coordinating Committee and regional and tribal children's services coordinating committees may maintain in their operating funds at the end of each fiscal year. The \$50,000 maximum balance allowed at the end of each fiscal year remains (Sections 5 and 6 of 2003 House Bill No. 1014).

### **ATTORNEY GENERAL**

1. Allows the Attorney General to use a portion of gaming stamp revenue for costs associated with administering the gaming stamp program in addition to the current authorization to use these funds for the cost of issuing the gaming stamps (Section 4 of 2003 Senate Bill No. 2003).

### **ETHANOL**

1. Changes the formula for distributing ethanol incentive payments to North Dakota ethanol plants (as of December 20, 2002, a bill to make this change has not been introduced).

### **STATE RADIO**

1. Requires political subdivisions to pay a fee for 911 wireless mapping services provided by State Radio pursuant to agreements with political subdivisions (2003 Senate Bill No. 2064).

**FEDERAL FUNDS  
COMPARISON OF 2001-03 ESTIMATES AND 2003-05 EXECUTIVE RECOMMENDATION**

Agency	2001-03 Appropriation \1	2001-03 Current Estimate \1	2003-05 Executive Budget	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Current Estimate	Percent Increase (Decrease)
Attorney General	\$13,462,392	\$13,134,249	\$12,957,649	(\$176,600)	(1.3%)
Department of Public Instruction	163,849,383	174,727,025	194,371,247	19,644,222 \2	11.2% \2
State Board for Vocational and Technical Education	14,734,810	13,344,731	10,649,339	(2,695,392) \3	(20.2%) \3
State Department of Health	68,360,184	80,748,787	92,356,551	11,607,764 \4	14.4% \4
Department of Human Services	914,295,839	945,368,576	988,555,127	43,186,551 \5	4.6% \5
Job Service North Dakota	55,423,184	55,792,189	56,067,728	275,539	0.5%
Aeronautics Commission	12,015,000	1,653,712	5,339,800	3,686,088 \6	222.9% \6
Housing Finance Agency	34,485,790	27,680,883	28,942,425	1,261,542 \7	4.6% \7
Division of Emergency Management	59,958,521	77,513,709	34,360,088	(43,153,621) \8	(55.7%) \8
Department of Corrections and Rehabilitation	11,269,721	11,914,979	16,589,489	4,674,510 \9	39.2% \9
Adjutant General	30,796,778	30,796,778	20,399,470	(10,397,308) \10	33.8% \10
Department of Commerce	34,393,181	41,444,271	44,734,864	3,290,593 \11	7.9% \11
Game and Fish Department	12,717,589	13,041,589	14,555,820	1,514,231 \12	11.6% \12
State Water Commission	20,285,124	18,985,124	29,829,443	10,844,319 \13	57.1% \13
Department of Transportation	428,000,000	404,200,000	412,273,189	8,073,189 \14	2.0% \14
All other agencies and institutions	56,288,340	52,256,562	63,708,557	11,451,995	21.9%
<b>Total</b>	<u>\$1,930,335,836</u>	<u>\$1,962,603,164</u>	<u>\$2,025,690,786</u>	<u>\$63,087,622</u>	<u>3.2%</u>

\1 2001-03 appropriation and 2001-03 current estimate - These amounts were reported by state agencies and institutions in response to a Legislative Council staff survey completed in October 2002 for the Budget Section of the Legislative Council.

**\2 Department of Public Instruction - \$19,644,222 increase**

The increase is primarily attributable to anticipated changes in funding for the following programs:

Title II Part A teacher and principal quality grants (from a new grant program)	\$25,777,610
Individuals With Disabilities Education Act Part B special education grants (from \$22,265,852 in 2001-03 to \$36,081,654 in 2003-05)	\$13,815,802
Class size reduction grants (from \$12,188,086 in 2001-03 to \$0 in 2003-05)	(\$12,188,086)



Title II Part D enhancing education through technology (from a new grant program)	\$5,842,794
School renovation, Individuals With Disabilities Education Act, and technology grants (from \$5,428,912 in 2001-03 to \$0 in 2003-05)	(\$5,428,912)
Goals 2000 grants to schools for program improvement (from \$3,430,807 in 2001-03 to \$0 in 2003-05)	(\$3,430,807)
<b>\3 State Board for Vocational and Technical Education - \$2,695,392 decrease</b>	
The decrease is primarily attributable to anticipated changes in funding for the following programs:	
School-to-work (decrease from \$3,206,881 in 2001-03 to \$0 in 2003-05)	(\$3,206,881)
Vocational education basic grant (from \$9,023,410 in 2001-03 to \$9,697,106 in 2003-05)	\$673,696
<b>\4 State Department of Health - \$11,607,764 increase</b>	
The increase is primarily attributable to anticipated increases in funding for the following programs:	
Centers for disease control and prevention (CDC) and health resources and services administration (HRSA) bioterrorism grants - funding for two years (from \$6,319,495 in 2001-03 to \$12,790,933 in 2003-05)	\$6,471,438
Special supplemental nutrition program for women, infants, and children (WIC) (from \$22,590,966 in 2001-03 to \$24,066,234 in 2003-05)	\$1,475,268
Breast and cervical cancer screening (from \$3,132,305 in 2001-03 to \$4,500,000 in 2003-05)	\$1,367,695
<b>\5 Department of Human Services - \$43,186,551 increase</b>	
The increase is primarily attributable to anticipated increases in funding for the following programs:	
Medical assistance (from \$667,387,369 in 2001-03 to \$675,489,445 in 2003-05)	\$8,102,076
Food stamps (from \$63,503,371 in 2001-03 to \$82,877,890 in 2003-05)	\$19,374,519
Child care and development block grant (from \$8,189,572 in 2001-03 to \$11,135,642 in 2003-05)	\$2,946,070
Child care mandatory funds (from \$9,074,241 in 2001-03 to \$12,466,846 in 2003-05)	\$3,392,605
Substance abuse block grant (from \$6,670,737 in 2001-03 to \$9,655,859 in 2003-05)	\$2,985,122
<b>\6 Aeronautics Commission - \$3,686,088 increase</b>	
The increase is primarily attributable to the following program:	
Airport improvement block grant (funding delayed in 2001-03 but anticipated for 2003-05)	\$4,000,000
<b>\7 Housing Finance Agency - \$1,261,542 increase</b>	
The increase is primarily attributable to anticipated increases in funding for the following programs:	
Rent supplements - Rental housing for lower-income families (from \$23,381,372 in 2001-03 to \$24,328,665 in 2003-05)	\$947,293
Lower-income housing assistance program (from \$3,500,775 in 2001-03 to \$3,818,719 in 2003-05)	\$317,944
<b>\8 Division of Emergency Management - \$43,153,621 decrease</b>	
The decrease is primarily attributable to anticipated decreases in funding for the following programs:	
Disaster assistance - Public assistance (from \$42,353,308 in 2001-03 to \$13,423,196 in 2003-05)	(\$28,930,112)
Disaster assistance - Hazard mitigation (from \$27,541,052 in 2001-03 to \$11,748,737 in 2003-05)	(\$15,792,315)
<b>\9 Department of Corrections and Rehabilitation - \$4,674,510 increase</b>	
The increase is primarily attributable to anticipated increases in funding for the following programs:	
Violent offender incarceration and truth-in-sentencing incentive grants (from \$814,243 in 2001-03 to \$3,898,650 in 2003-05)	\$3,084,407
Bureau of Prisons (from \$15,000 in 2001-03 to \$725,111 in 2003-05)	\$710,111
Crime victims assistance (from \$2,839,780 in 2001-03 to \$3,152,000 in 2003-05)	\$312,220
Juvenile accountability incentive block grants (from \$2,871,168 in 2001-03 to \$3,152,706 in 2003-05)	\$281,538
<b>\10 Adjutant General - \$10,397,308 decrease</b>	

The decrease is primarily attributable to the following program:	
Air and Army Guard contracts (from \$30,682,485 in 2001-03 to \$19,997,128 in 2003-05)	(\$10,685,357)
<b>\11 Department of Commerce - \$3,290,593 increase</b>	
The increase is primarily attributable to anticipated changes in funding for the following programs:	
HOME investment partnerships program (from \$7,000,000 in 2001-03 to \$8,344,010 in 2003-05)	\$1,344,010
Weatherization assistance (from \$4,000,000 in 2001-03 to \$5,743,067 in 2003-05)	\$1,743,067
Community services block grant (from \$6,046,707 in 2001-03 to \$7,507,778 in 2003-05)	\$1,461,071
American Competitive Workforce Investment Act (from \$2,114,313 in 2001-03 to \$994,624 in 2003-05)	(\$1,119,689)
<b>\12 Game and Fish Department - \$1,514,231 increase</b>	
The increase is primarily attributable to anticipated increases in funding for the following programs:	
State wildlife grants (from \$324,000 in 2001-03 to \$1,039,818 in 2003-05)	\$715,818
Wildlife restoration (from \$5,381,715 in 2001-03 to \$5,882,956 in 2003-05)	\$501,241
<b>\13 State Water Commission - \$10,844,319 increase</b>	
The increase is primarily attributable to the following program:	
Municipal, rural, and industrial water supply program (from \$11,815,520 in 2001-03 to \$21,252,337 in 2003-05)	\$9,436,817
<b>\14 Department of Transportation - \$8,073,189 increase</b>	
The increase is primarily attributable to the following program:	
Highway planning and construction (from \$385,600,000 in 2001-03 to \$395,153,935 in 2003-05)	\$9,553,935

## GROWING NORTH DAKOTA GENERAL FUND APPROPRIATION

	1999-2001 Appropriation	2001-03 Appropriation	2003-05 Executive Recommendation	Increase (Decrease)
Department of Commerce - HB 1019				
Economic Development and Finance				
Operating costs	\$4,211,876 <sup>1</sup>	\$4,742,293	\$5,034,487	\$292,194
Grants	1,868,061 <sup>1</sup>	1,673,292	1,447,127	(226,165)
North Dakota Development Fund	750,000 <sup>1</sup>	2,350,000	0	(2,350,000)
Agricultural products utilization	983,865 <sup>1</sup>	1,425,270	1,431,380	6,110
Workforce development				
Operating costs		179,725	313,080	133,355
Grants		250,000		(250,000)
Total	<u>\$7,813,802</u>	<u>\$10,620,580</u>	<u>\$8,226,074</u>	<u>(\$2,394,506)</u>
Agriculture Department - SB 2009				
Pride of Dakota	\$151,516	\$157,709	\$119,248	(\$38,461)
Agricultural mediation	173,623	179,071	172,860	(6,211)
Total	<u>\$325,139</u>	<u>\$336,780</u>	<u>\$292,108</u>	<u>(\$44,672)</u>
Board for Vocational and Technical Education - HB 1020				
Farm management program	\$299,802	\$349,802	\$399,802	\$50,000
Workforce training contracts	875,000	1,350,000	1,350,000	0
Total	<u>\$1,174,802</u>	<u>\$1,699,802</u>	<u>\$1,749,802</u>	<u>\$50,000</u>
Job Service North Dakota - HB 1017				
Work Force 2000	<u>\$1,250,000</u>	<u>\$2,100,356</u>	<u>\$2,002,861</u>	<u>(\$97,495)</u>
Bank of North Dakota - HB 1015				
PACE	\$6,000,000 <sup>2</sup>	\$6,000,000	\$5,700,000	(\$300,000)
Ag PACE	1,500,000	1,500,000	1,425,000	(75,000)
Beginning farmer loan program	1,000,000	1,000,000	950,000	(50,000)
Total	<u>\$8,500,000</u>	<u>\$8,500,000</u>	<u>\$8,075,000</u>	<u>(\$425,000)</u>
Total Growing North Dakota	<u><u>\$19,063,743</u></u>	<u><u>\$23,257,518</u></u>	<u><u>\$20,345,845</u></u>	<u><u>(\$2,911,673)</u></u>

<sup>1</sup> The 1999-2001 appropriations were to the Department of Economic Development and Finance.

<sup>2</sup> Of the \$6 million appropriated for PACE, \$500,000 is designated for technology PACE.

## HISTORIC GENERAL FUND APPROPRIATIONS AND END-OF-BIENNIUM BALANCES

Biennium	General Fund Appropriations (In Millions)\1	End-of-Biennium General Fund Balance (In Millions)	General Fund Balance as a Percentage of Appropriations
1967-69	\$145.64	\$20.60 \2	14.1%
1969-71	\$183.69	\$25.90 \2	14.1%
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	\$1,732.12 \6	\$3.86 \7 (Estimate)	0.2%
2003-05	\$1,762.10 \8	\$10.05 (Estimate)	0.6%

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

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

\3 The 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.

- \4 In addition to the amount shown, \$25.2 million was transferred to the budget stabilization fund pursuant to North Dakota Century Code (NDCC) Section 54-27.2-02, which provided that any amount in excess of \$40 million in the general fund on June 30, 1989, be transferred to the budget stabilization fund.
- \5 In addition to the amount shown, \$17.1 million was transferred to the budget stabilization fund pursuant to NDCC Section 54-27.2-02, which provided that 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 from the budget stabilization fund to the Bank of North Dakota.
- \6 The amount shown reflects original legislative appropriations of \$1,746.99 million increased by \$3.47 million of additional general fund money used to match federal Medicaid funding for intergovernmental transfer payments and decreased by \$18.34 million relating to the July 2002 1.05 percent budget allotment.
- \7 The amount shown is after an estimated transfer of \$22.86 million from the Bank of North Dakota, pursuant to Section 12 of 2001 House Bill No. 1015. The \$3.86 million balance represents the executive budget estimate of agency 2001-03 biennium general fund turnback.
- \8 The amount shown reflects recommended general fund appropriations for the 2003-05 biennium.

**MAJOR STATE APPROPRIATIONS AND REVENUE ALLOCATIONS FOR DIRECT ASSISTANCE TO POLITICAL  
SUBDIVISIONS COMPARISON OF 2001-03 BIENNIUM APPROPRIATIONS AND ALLOCATIONS  
AND 2003-05 BIENNIUM EXECUTIVE RECOMMENDATIONS**

	<b>2001-03 Appropriations/ Revenue Allocations</b>	<b>2003-05 Executive Recommendation</b>	<b>2003-05 Recommended Increase (Decrease) Compared 2001-03 Appropriation</b>	<b>2003-05 Recommended Percentage Increase (Decrease) Compared 2001-03 Appropriation</b>
<b>General fund appropriations</b>				
State school aid	\$473,971,648	\$478,056,990	\$4,085,342	0.9%
Teacher compensation payments to school districts	35,036,000	66,277,000	31,241,000	89.2%
Hold harmless payments	0	1,200,000	1,200,000	0.0%
Reorganization and joint powers incentives	1,665,000	1,000,000	(665,000)	(39.9%)
Educational Technology Council grants	922,822	512,822	(410,000)	(44.4%)
Special education	49,898,695	49,898,695	0	0.0%
Supplemental payments to school districts	2,200,000	3,200,000	1,000,000	45.5%
Vocational education	9,573,929	10,886,541	1,312,612	13.7%
School lunch program	1,080,000	1,080,000	0	0.0%
Adult education	900,000	900,000	0	0.0%
Grants to public libraries	1,138,745	1,081,807	(56,938)	(5.0%)
Homestead tax credit	4,540,813	4,000,000	(540,813)	(11.9%)
Aid to health districts	1,100,000	1,100,000	0	0.0%
Matching funds to counties and cities for senior citizen programs	2,132,945 <sup>1</sup>	2,132,945 <sup>1</sup>	0	0.0%
Indian welfare assistance to counties	456,993	649,559	192,566	42.1%
Boys and girls clubwork	53,000	53,000	0	0.0%
Soil conservation district grants	580,000	473,000	(107,000)	(18.4%)
Noxious weed control	184,141	97,215	(86,926)	(47.2%)
Payments in lieu of taxes on carbon dioxide pipeline property	1,932,419	1,910,000	(22,419)	(1.2%)
Clerk of court	10,154,353	10,715,970	561,617	5.5%
Grants to airports	550,000	522,500	(27,500)	(5.0%)
Statewide information technology network costs	4,222,550	3,745,423	(477,127)	(11.3%)
<b>Total general fund</b>	<b>\$602,294,053</b>	<b>\$639,493,467</b>	<b>\$37,199,414</b>	<b>6.2%</b>
Percentage of total general fund appropriations	34.5%	36.3%		
<b>Special fund appropriations and revenue allocations</b>				
State tuition fund distributions	\$67,239,025	\$69,495,371	\$2,256,346	3.4%
Grants for adult education programs (displaced homemaker fund)	240,000	240,000	0	0.0%

Clerk of court	750,000	997,630	247,630	33.0%
Noxious weed control	1,162,695	1,249,621	86,926	7.5%
State aid distribution funds to cities and counties	66,937,897 <sup>2</sup>	70,132,000	3,194,103	4.8%
Public transportation services (public transportation fund)	3,000,000	3,000,000	0	0.0%
Insurance tax to fire departments (insurance tax distribution fund)	5,200,000	5,200,000	0	0.0%
Gaming enforcement grants	629,000	617,000	(12,000)	(1.9%)
Community health grant program (community health trust fund)	4,700,000	4,700,000	0	0.0%
Tobacco education and cessation program grants (community health trust fund)	250,000	250,000	0	0.0%
Matching funds to counties and cities for senior citizen programs (health care trust fund)	250,000	250,000	0	0.0%
Energy development impact grants (oil and gas impact fund)	4,888,100	4,888,100	0	0.0%
Grants to airports (Aeronautics Commission special fund collections)	1,820,000	1,962,500	142,500	7.8%
Indian welfare assistance to counties (Department of Human Services "retained" funds)	2,068,007	1,964,607	(103,400)	(5.0%)
Motor vehicle fuels tax and registration fee allocations to cities, counties, and townships	116,500,000 <sup>2</sup>	117,100,000 <sup>5</sup>	600,000	0.5%
Telecommunications tax allocations	16,800,000	16,800,000	0	0.0%
Coal severance tax allocations	14,200,000 <sup>3</sup>	14,200,000 <sup>3</sup>	0	0.0%
Coal conversion tax allocations	6,073,195 <sup>4</sup>	5,946,604 <sup>5</sup>	(126,591)	(2.1%)
Oil and gas gross production tax allocations	32,187,749 <sup>4</sup>	32,801,254 <sup>5</sup>	613,505	1.9%
Cigarette tax allocations	2,642,519 <sup>4</sup>	2,415,000 <sup>5</sup>	(227,519)	(8.6%)
<b>Total special fund appropriations and revenue allocations</b>	<u>\$347,538,187</u>	<u>\$354,209,687</u>	<u>\$6,671,500</u>	<u>1.9%</u>
<b>Total major direct assistance to political subdivisions</b>	<u>\$949,832,240</u>	<u>\$993,703,154</u>	<u>\$43,870,914</u>	<u>4.6%</u>

<sup>1</sup> Consists of \$720,000 of state funding to providers and \$1,412,945 for senior mill levy match for the 2001-03 biennium and \$720,000 of state funding to providers and \$1,412,945 for senior mill levy match in the 2003-05 executive recommendation.

<sup>2</sup> Revised 2001-03 estimate.

<sup>3</sup> Based on actual transfers through November 2002 and the assumption transfers will not significantly change through the 2003-05 biennium.

<sup>4</sup> Amounts are based on actual transfers through November 2002 and the revised forecast for the remainder of the biennium.

<sup>5</sup> Per 2003-05 executive forecast.

**GENERAL FUND REVENUE ESTIMATES FOR THE 2001-03 AND 2003-05 BIENNIUMS  
AND ACTUAL COLLECTIONS FOR PRIOR BIENNIUMS**

	Actual		Estimated		2003-05 Increase (Decrease) Compared to 2001-03	2003-05 Percentage Increase (Decrease) Compared to 2001-03
	1997-99 Biennium	1999-2001 Biennium	2001-03 Biennium \1	2003-05 Biennium \2		
<b>Revenue source</b>						
Sales and use tax	\$569,501,827	\$613,066,466	\$646,331,333	\$676,295,000	\$29,963,667	4.6%
Motor vehicle excise tax	94,863,089	109,115,230	121,857,675	130,237,000	8,379,325	6.9%
Individual income tax	358,287,825	409,331,437	388,997,091	431,311,000	42,313,909	10.9%
Corporate income tax	123,420,219	99,134,855	85,598,297	90,554,000 \3	4,955,703	5.8%
Insurance premium tax	33,133,216	39,113,433	47,689,204	51,503,000	3,813,796	8.0%
Business privilege tax	6,494,162	5,464,955	5,165,548	5,200,000	34,452	0.7%
Cigarette and tobacco tax	44,091,170	41,706,350	39,702,582	67,364,000 \4	27,661,418	69.7%
Oil and gas production tax	26,973,613	38,433,365 \5	39,159,000 \5	39,016,915 \5	(142,085)	(0.4%)
Oil extraction tax	16,703,114	23,566,635 \5	22,841,000 \5	26,398,744 \5	3,557,744	15.6%
Coal severance tax	22,596,137	22,173,854	0	0	0	0.0%
Coal conversion tax	23,786,790	25,672,170	47,596,502	48,804,000	1,207,498	2.5%
Gaming tax	22,801,868	27,437,507	26,302,222	23,178,000	(3,124,222)	(11.9%)
Lottery	0	0	0	5,000,000 \6	5,000,000	
Wholesale liquor tax	11,140,328	10,321,999	11,131,782	11,634,000	502,218	4.5%
Mineral leasing fees	7,257,989	9,531,698	5,847,000	3,870,000	(1,977,000)	(33.8%)
Interest income	19,013,889	20,832,123	9,775,000	12,996,000	3,221,000	33.0%
Departmental collections	32,997,069	40,816,171	57,308,000	50,228,575	(7,079,425)	(12.4%)
<b>Total revenues</b>	<u>\$1,413,062,305</u>	<u>\$1,535,718,248</u>	<u>\$1,555,302,236</u>	<u>\$1,673,590,234</u>	<u>\$118,287,998</u>	<u>7.6%</u>
<b>Transfers and other sources</b>						
Sale of DD loans			\$2,000,000 \7	\$0	(\$2,000,000)	(100.0%)
Transfer - Bank of North Dakota	\$29,600,000	\$50,000,000	60,000,000 \8	60,000,000 \9	0	0.0%
Transfer - Bank of North Dakota (contingent)			22,862,442 \8	0 \9	(22,862,442)	(100.0%)
Transfer - Student loan trust			9,000,000	9,000,000	0	0.0%
Transfer - Mill and Elevator	3,000,000	3,000,000	6,000,000	5,000,000	(1,000,000)	(16.7%)
Transfer - Gas tax administration	1,128,872	1,380,608	1,363,392	1,396,200	32,808	2.4%
Transfer - Lands and minerals fund	5,500,000		3,545,102	3,000,000	(545,102)	(15.4%)
Transfer - Permanent oil tax trust fund			0	14,300,000 \10	14,300,000	
Transfer - State bonding fund			0	2,000,000	2,000,000	
Transfer - Water development trust fund			9,733,820	0	(9,733,820)	(100.0%)
Transfer - State aid distribution fund	28,016,831		0	0	0	
Transfers - Other	3,197,042	5,159,194	71,249	0	(71,249)	(100.0%)
<b>Total transfers and other sources</b>	<u>\$70,442,745</u>	<u>\$59,539,802</u>	<u>\$114,576,005</u>	<u>\$94,696,200</u>	<u>(\$19,879,805)</u>	<u>(17.4%)</u>
<b>Total general fund revenues and transfers</b>	<u><u>\$1,483,505,050</u></u>	<u><u>\$1,595,258,050</u></u>	<u><u>\$1,669,878,241</u></u>	<u><u>\$1,768,286,434</u></u>	<u><u>\$98,408,193</u></u>	<u><u>5.9%</u></u>



- \1 Revised 2001-03 revenue forecast (December 2002).
- \2 Executive budget revenue forecast for the 2003-05 biennium.
- \3 The Governor is proposing to decouple the state corporate income tax from the federal corporate income tax. The new rates would be established to be revenue-neutral to the current system.
- \4 The executive budget revenue forecast provides for an increase in the cigarette tax rate of approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack. These increases are estimated to result in additional general fund revenue of \$29.7 million for the 2003-05 biennium.
- \5 North Dakota Century Code Section 57-51.1-07.2 provides that if, at the end of any biennium, oil and gas production and extraction tax collections during the biennium exceed \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. Interest on money in the fund is transferred to the general fund.

Total oil and gas tax collections were \$75.2 million during the 1999-2001 biennium, resulting in \$13.2 million being transferred to the permanent oil tax trust fund.

Total oil and gas tax collections are estimated to be \$63.2 million during the 2001-03 biennium, resulting in \$1.2 million being transferred to the permanent oil tax trust fund at the end of the biennium.

Total oil and gas tax collections are estimated to be \$65.4 million during the 2003-05 biennium. The Office of Management and Budget recommends, in Section 13 of Senate Bill No. 2015, that North Dakota Century Code Section 57-51.1-07.2, providing for transfers to the permanent oil tax trust fund of oil and gas tax collections in excess of \$62 million, be suspended during the 2003-05 biennium.

- \6 North Dakota voters passed an initiated measure in November 2002 to amend the Constitution and allow North Dakota to join a multistate lottery. The executive budget recommendation estimates 2003-05 biennium lottery revenues of \$5 million.
- \7 The 2001 Legislative Assembly authorized that, at the request of the director of the Office of Management and Budget, the Department of Human Services sell the outstanding loans of the developmental disabilities revolving loan fund No. 1 to the Bank of North Dakota and deposit the proceeds, estimated to be \$2 million, in the general fund.
- \8 In addition to the \$60 million transfer from the Bank of North Dakota, the 2001 Legislative Assembly provided for a contingent Bank of North Dakota transfer if actual general fund revenues are less than projected for the 2001-03 biennium. The amount transferred may not exceed the lesser of \$25 million or the actual revenue shortfall and may not reduce the Bank's capital structure below \$140 million. The 2001-05 executive budget includes a contingent transfer of \$22.86 million prior to the end of the 2001-03 biennium.
- \9 Section 9 of 2003 Senate Bill No. 2015 provides for up to a \$60 million transfer from the Bank of North Dakota's current earnings and accumulated undivided profits. No more than \$15 million of the amount transferred may come from accumulated undivided profits.  
  
In addition to the \$60 million transfer from the Bank of North Dakota included in the executive revenue forecast, Section 10 of 2003 Senate Bill No. 2015 provides that if actual general fund revenues are less than the legislative forecast for the 2003-05 biennium, an amount equal to the shortfall, not to exceed \$25 million may be transferred from the Bank of North Dakota, subject to Budget Section approval. Transfers from the Bank of North Dakota may only be made to the extent the transfer does not reduce the Bank's capital structure below \$140 million.
- \10 The executive budget recommends, in Section 7 of 2003 Senate Bill No. 2015, that the July 1, 2003, balance in the permanent oil tax trust fund, including \$1.2 million to be transferred from the general fund on that date, estimated to be a total of \$14.3 million, be transferred to the general fund.

## ECONOMIC ASSUMPTIONS AND CONDITIONS USED IN THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION

1. **General fund revenue growth** - General fund revenues, including transfers, for the 2003-05 biennium are anticipated to increase by 3.6 percent, or \$62.0 million, from the original 2001-03 legislative revenue forecast and by 5.9 percent, or \$98.4 million, from the revised 2001-03 revenue forecast.
2. **Taxable sales and purchases** - Taxable sales and purchases are estimated to increase by 2.3 percent in fiscal year 2004 and 3.2 percent in fiscal year 2005, resulting in additional general fund revenue of \$38.3 million from sales and use tax and motor vehicle excise tax collections.
3. **Lottery income** - North Dakota voters approved an initiated measure in November 2002 to amend the Constitution and allow North Dakota to join a multistate lottery. The 2003-05 executive budget anticipates \$5 million of general fund revenues from the lottery.
4. **Oil and gas tax collections** - Oil and gas tax collections are expected to increase slightly from \$63.2 million in 2001-03 to \$65.4 million in 2003-05. North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that if, at the end of any biennium, oil and gas production and oil extraction tax collections during the biennium exceed \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. The Governor recommends in Section 13 of Senate Bill No. 2015 that NDCC Section 57-51.1-07.2 be suspended during the 2003-05 biennium and the anticipated \$3.4 million of collections in excess of \$62 million be deposited in the general fund. In addition, the executive budget recommends the July 1, 2003, estimated balance of \$14.3 million in the permanent oil tax trust fund be transferred to the general fund.
5. **Oil prices** - Oil prices are anticipated to average \$23 per barrel during the first year of the 2003-05 biennium and are anticipated to decline to an average price of \$19.50 per barrel during the second year of the biennium. The average oil price in November 2002 for North Dakota crude oil was \$21.41 per barrel.
6. **Oil production** - Oil production is anticipated to average 84,000 barrels per day throughout the 2003-05 biennium. Oil production for September 2002 averaged 84,628 barrels per day.
7. **Individual income tax** - Adjusted gross income is projected to grow by 9.1 percent during the first year of the biennium and by 5.7 percent during

the second year of the biennium, resulting in additional general fund revenue of \$42.3 million from individual income tax collections.

8. **Corporate income tax** - Corporate income tax collections are expected to increase by \$4.9 million based on expectations that corporate profits are increasing nationally. The Governor is proposing to decouple the state corporate income tax from the federal corporate income tax. The new rates would be established to be revenue-neutral to the current system.
9. **Cigarette and tobacco tax collections** - The executive budget recommends increasing cigarette and tobacco taxes by approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack. These increases are estimated to generate additional general fund revenue of \$29.7 million for the 2003-05 biennium. Surrounding states' tobacco excise tax rates and how the states rank nationally as of December 1, 2002, are:

Minnesota	48 cents per pack (26th highest)
North Dakota	44 cents per pack (27th highest)
South Dakota	33 cents per pack (34th highest)
Montana	18 cents per pack (41st highest)
Wyoming	12 cents per pack (46th highest)
National average	61 cents per pack

## NORTH DAKOTA OIL PRODUCTION AND OIL MARKET PRICES

Period	Oil Production (In Barrels)	Market Price Per Barrel \1	
		Beginning of Period	End of Period
Actual production for fiscal year 2000	32,891,923	\$13.88	\$24.47
Actual production for fiscal year 2001	32,324,599	\$27.03	\$23.57
Total 1999-2001 biennium	<u>65,216,522</u>		
Actual production for fiscal year 2002	31,133,065	\$22.48	\$22.31
Estimated production for fiscal year 2003	30,660,000	\$20.51	\$22.83
Total 2001-03 biennium	<u>61,793,065</u>		
Estimated production for the 2003-05 biennium	<u>61,320,000</u>	\$22.83	\$17.46

The following are the estimated average posted field oil prices for the 2003-05 biennium for selected months:

	September 2003	December 2003	March 2004	June 2004	September 2004	December 2004	March 2005	May 2005
Estimated posted field oil prices	\$23.66	\$24.17	\$22.71	\$21.78	\$20.87	\$18.41	\$18.12	\$17.46

The following are definitions of the terms relating to the pricing of crude oil, specifically the definitions of posted field price, spot price, and futures price:

Posted field price is the price at which a crude oil purchaser will buy the oil of a certain quality from a particular field or area.

Spot price is the price for crude oil at which a one-time seller transaction is consummated.

Futures price is the price at which a contract for the future purchase or sale of oil is traded. The leading or benchmark price for crude oil futures is that paid for West Texas intermediate crude oil.

\1 The oil prices shown are the Tesoro posted field prices for North Dakota sweet crude, which includes the Montana counties of Sheridan, Roosevelt, and Richland. The prices at the beginning and end of the periods are the monthly average actual or estimated posted prices.

**DISTRIBUTION OF ESTIMATED OIL EXTRACTION AND OIL AND GAS PRODUCTION TAXES FOR THE 2003-05 BIENNIUM (AMOUNTS ARE SHOWN IN MILLIONS OF DOLLARS) \1**

<b>Tax</b>	<b>General Fund \2</b>	<b>Permanent Oil Tax Trust Fund \2</b>	<b>Common Schools Trust Fund \3</b>	<b>Foundation Aid Stabilization Fund \3</b>	<b>Resource Trust Fund</b>	<b>Oil Impact Grant Fund</b>	<b>Counties</b>	<b>Total</b>
Oil extraction tax \4	\$26.40		\$4.33	\$4.33	\$8.67			\$43.73
Oil and gas production tax \5	39.02					\$5.08	\$32.80	76.90
<b>Total</b>	<u>\$65.42</u>	<u>\$0.00</u>	<u>\$4.33</u>	<u>\$4.33</u>	<u>\$8.67</u>	<u>\$5.08</u>	<u>\$32.80</u>	<u>\$120.63</u>

\1 The amounts shown are as included in the 2003-05 executive budget.

\2 North Dakota Century Code Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that biennium and derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$62 million are to be transferred by the State Treasurer to special fund. The State Treasurer is to transfer the interest earnings on the fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

The 2003-05 executive budget recommends transferring the balance in the permanent oil tax trust fund on July 1, 2003, to the general fund and amending North Dakota Century Code Section 57-51.1-07.2 to suspend any transfers to the permanent oil tax trust fund during the 2003-05 biennium (Section 13 of Senate Bill No. 2015). The oil extraction and gross production tax collections are projected to generate \$65.4 million in the 2003-05 biennium, which would be deposited in the general fund as recommended by the Governor.

\3 The 1993 Legislative Assembly passed Senate Concurrent Resolution No. 4011, which contained a constitutional amendment relating to the distribution of oil extraction tax revenues. The constitutional amendment was approved by the voters in the November 1994 general election. The constitutional amendment provides that 20 percent of the oil extraction tax revenues are to be allocated as follows:

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

\4 The oil extraction tax rate is 6.5 percent of the gross value at the well for wells drilled prior to April 27, 1987. For oil produced from wells drilled after April 27, 1987, there is no extraction tax levied for 15 months and thereafter the rate is 4 percent. The initial production of oil from a well drilled and completed after July 31, 1997, is exempt from any oil extraction tax for a period of 60 months if it meets any of the following conditions: (1) is located within the boundaries of an Indian reservation; (2) is on lands held in trust for an Indian tribe or individual Indian; or (3) is on lands held by an Indian tribe as of August 1, 1997. For oil produced from any well drilled and completed as a horizontal well after March 31, 1995, there is no extraction tax levied for 24 months, and thereafter the rate is 4 percent. The oil extraction tax rate is 4 percent for qualifying secondary and tertiary recovery projects, and production from stripper wells and enhanced oil production methods is exempt. If the average price of a barrel of oil is \$35.50 or more for a five-month period, the oil extraction tax will become 6.5 percent. The tax rate reverts to 4 percent if the average price of a barrel of oil is less than \$35.50 for any consecutive five-month period.

The oil extraction tax is allocated 20 percent to the resources trust fund for water development, 10 percent to the common schools trust fund, 10 percent to the foundation aid stabilization fund, and 60 percent to the state general fund.

\5 The 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 on all gas produced. Beginning July 1, 1992, the tax rate will be adjusted based on the gas fuels producer price index.

The oil and gas production tax is distributed per formula to the oil and gas impact fund (up to \$5 million per biennium), to the state general fund, and to political subdivisions within producing counties.

**DEFICIENCY APPROPRIATIONS FOR THE 2001-03 BIENNIUM INCLUDED  
IN THE 2003-05 BIENNIUM EXECUTIVE RECOMMENDATION**

The following deficiency appropriation is recommended to be paid prior to June 30, 2003:

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
1. <b>Department of Human Services</b> - Estimated amount needed for the medical assistance program due to a decrease in the federal medical assistance percentage (FMAP) and an increase in the number of eligible recipients and utilization of medical services. (Health care trust fund) (House Bill No. 1026)	\$0	\$16,300,000	\$16,300,000
Total	\$0	\$16,300,000	\$16,300,000

**2003-05 BIENNIUM RECOMMENDED APPROPRIATIONS RELATING TO 2001-03 BIENNIUM EXPENDITURES**

The following appropriations are for the repayment of Bank of North Dakota loans after July 1, 2003, for the state's share of disaster-related costs.

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
1. <b>University of North Dakota</b> - Estimated amount needed to repay the Bank of North Dakota for the state's share of repairs resulting from the 1997 flood disaster. (Water development trust fund) (House Bill No. 1003)	\$0	\$1,193,146	\$1,193,146
2. <b>North Dakota State University</b> - Estimated amount needed to repay the Bank of North Dakota for the state's share of repairs resulting from the 2000 flood disaster. (Water development trust fund) (House Bill No. 1003)		262,928	262,928
3. <b>Division of Emergency Management</b> - Estimated amount needed to repay the Bank of North Dakota for the state's share of federal disaster relief relating to disasters occurring between 1997-2001. (Water development trust fund) (Senate Bill No. 2016)		8,900,000	8,900,000
4. <b>Parks and Recreation Department</b> - Estimated amount needed to repay the Bank of North Dakota for the state's share of repairs resulting from flooding at Devils Lake and Turtle River State Park. (Water development trust fund) (Senate Bill No. 2021)		575,287	575,287
Total	\$0	\$10,931,361	\$10,931,361

## ANALYSIS OF NEW PROGRAMS AND MAJOR CHANGES TO EXISTING PROGRAMS INCLUDED IN THE 2003-05 EXECUTIVE BUDGET

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
<b>GENERAL GOVERNMENT</b>				
<b>101</b>	<b>Governor's Office</b>			
	<ul style="list-style-type: none"> <li>• Removes funding provided during the 2001-03 biennium for North Dakota's contribution to the national World War II Memorial in Washington, D.C.</li> </ul>	(\$53,210)		(\$53,210)
	<ul style="list-style-type: none"> <li>• Adds funding for Governor's transition in and Governor's transition out line items due to the gubernatorial election in 2004</li> </ul>	\$55,000		\$55,000
	<ul style="list-style-type: none"> <li>• In September 2001 the Governor's office received a \$1.9 million federal grant to promote agriculture specialty crops and value-added agriculture projects. The 2003-05 executive budget includes \$760,000 of federal funds from this grant that is anticipated to be spent during the 2003-05 biennium.</li> </ul>		\$760,000	\$760,000
<b>108</b>	<b>Secretary of State</b>			
	<ul style="list-style-type: none"> <li>• Adds federal grant funds to comply with federal election standards and to improve North Dakota's election process</li> </ul>		\$5,000,000	\$5,000,000
	<ul style="list-style-type: none"> <li>• Provides \$200,000 from the general fund for continuing the development of "e-government" services of the Secretary of State's office</li> </ul>			
	<ul style="list-style-type: none"> <li>• Reduces funding for public printing to the level anticipated necessary for the 2003-05 biennium</li> </ul>	(\$172,000)		(\$172,000)
<b>110</b>	<b>Office of Management and Budget</b>			
	<ul style="list-style-type: none"> <li>• Consolidates State Radio Communications budget into the Office of Management and Budget. Previously, State Radio was funded with a separate appropriation.</li> </ul>			
	<ul style="list-style-type: none"> <li>• Deletes 1 FTE business manager position in State Radio</li> </ul>		(\$131,005)	(\$131,005)
	<ul style="list-style-type: none"> <li>• Provides funding to purchase and install an emergency 911 wireless mapping system (the Emergency Commission and Budget Section approved a line item transfer of \$290,000 to begin implementing the system during the 2001-03 biennium)</li> </ul>	\$182,168		\$182,168
	<ul style="list-style-type: none"> <li>• Increases special funds spending authority for 911 mapping services. The special funds will be generated from fees charged to the political subdivision receiving the services.</li> </ul>		\$102,000	\$102,000
<b>112</b>	<b>Information Technology Department</b>			
	<ul style="list-style-type: none"> <li>• Decreases funding for the statewide information technology network from \$9,968,905 to \$7,799,623</li> </ul>	(\$1,175,401)	(\$993,881)	(\$2,169,282)
	<ul style="list-style-type: none"> <li>• Increases funding for the enterprise resource planning system initiative and changes the funding source for the initiative from the general fund to special funds</li> </ul>	(\$7,500,000)	\$20,000,000	\$12,500,000
	<ul style="list-style-type: none"> <li>• Provides funding for a criminal justice information sharing initiative</li> </ul>		\$4,741,200	\$4,741,200
	<ul style="list-style-type: none"> <li>• Provides funding for 2.5 new FTE positions at the Division of Independent Study (\$194,960) and 1 new FTE position for the Educational Technology Council (\$200,242)</li> </ul>	\$200,242	\$194,960	\$395,202

<b>Dept. No.</b>	<b>Agency/Item Description</b>	<b>General Fund Increase (Decrease)</b>	<b>Special Funds Increase (Decrease)</b>	<b>Total</b>
	<ul style="list-style-type: none"> <li>Decreases grant funding for the Educational Technology Council</li> </ul>	(\$410,000)		(\$410,000)
	<ul style="list-style-type: none"> <li>Provides funding to EduTech for kindergarten through grade 12 antivirus software</li> </ul>	\$200,000		\$200,000
<b>117</b>	<b>State Auditor</b>			
	<ul style="list-style-type: none"> <li>Deletes 3 FTE auditor positions from the Division of State Audits</li> </ul>	(\$298,155)		(\$298,155)
	<ul style="list-style-type: none"> <li>Appropriates \$100,000 from the general fund to a special line item for the cost of contracting performance audit work. This funding was previously appropriated in the operating expenses line item.</li> </ul>			
<b>125</b>	<b>Attorney General</b>			
	<ul style="list-style-type: none"> <li>Transfers the state crime lab from the State Department of Health, including 14.5 FTE positions</li> </ul>	\$1,378,377	\$1,380,013	\$2,758,390
	<ul style="list-style-type: none"> <li>Increases funding for the state crime lab, including the addition of 1 FTE position</li> </ul>	\$163,198	\$136,800	\$299,998
	<ul style="list-style-type: none"> <li>Provides funding for market equity salary increases for assistant attorneys general from legal services billing revenue</li> </ul>		\$200,000	\$200,000
	<ul style="list-style-type: none"> <li>Provides \$617,000 of special funds for local gaming enforcement grants</li> </ul>		(\$12,000)	(\$12,000)
	<ul style="list-style-type: none"> <li>Continues the \$150,000 appropriation for Racing Commission operations from the Racing Commission special funds</li> </ul>			
	<ul style="list-style-type: none"> <li>Increases the general fund share of costs of the State Fire Marshal due to Fire Marshal fee collections being less than anticipated</li> </ul>	\$95,000	(\$95,000)	
<b>127</b>	<b>Tax Commissioner</b>			
	<ul style="list-style-type: none"> <li>Changes funding source for the Multistate Tax Commission from special funds to the general fund (operating line item in the Income Tax Division) and removes the special line item for the Multistate Tax Commission</li> </ul>	\$316,000	(\$316,000)	
	<ul style="list-style-type: none"> <li>Consolidates the homestead tax credit budget into the Tax Commissioner's budget. Previously, the homestead tax credit budget was provided a separate appropriation.</li> </ul>			
	<ul style="list-style-type: none"> <li>Decreases funding for the homestead tax credit to \$4 million based on three-year average expenditures and current statutory income guidelines</li> </ul>	(\$313,772)		(\$313,772)
	<ul style="list-style-type: none"> <li>Deletes 3 FTE positions in the Operations Division (document specialist, data input operator, and information system administrator)</li> </ul>	(\$246,288)		(\$246,288)
	<ul style="list-style-type: none"> <li>Deletes 2 FTE positions in the Income Tax Division (income tax director and audit technician)</li> </ul>	(\$178,550)		(\$178,550)
	<ul style="list-style-type: none"> <li>Deletes 1 FTE compliance officer position in the Sales and Special Tax Division</li> </ul>	(\$82,536)		(\$82,536)
<b>140</b>	<b>Office of Administrative Hearings</b>			
	<ul style="list-style-type: none"> <li>Moves funding from the operating expenses line item for temporary administrative law judges to the salaries and wages line item (\$261,104) for an additional 2 FTE administrative law judges primarily to conduct Workers Compensation Bureau hearings</li> </ul>			

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
150	<b>Legislative Assembly</b>			
	• Reduces funding relating to the reduction of two legislative districts, from 49 to 47, as approved by the Legislative Assembly during the 2001 special session	(\$225,480)		(\$225,480)
	• Removes funding relating to the 2001 special legislative session for redistricting	(\$199,976)		(\$199,976)
	• Reduces funding for replacing legislative computer equipment from \$335,800 in the 2001-03 biennium to \$90,000 in the 2003-05 biennium	(\$245,800)		(\$245,800)
	• Adds funding to provide health insurance coverage for 133 legislators, the number of legislators requesting health insurance coverage in November 2002	\$147,272		\$147,272
• Reduces funding for information technology systems and projects	(\$146,010)		(\$146,010)	
160	<b>Legislative Council</b>			
	• Reduces funding relating to the reduction of two legislative districts, from 49 to 47, as approved by the Legislative Assembly during the 2001 special session	(\$47,257)		(\$47,257)
	• Removes funding for the 2001-02 interim corrections study	(\$200,000)		(\$200,000)
	• Reduces funding for the Information Technology Committee	(\$173,732)		(\$173,732)
	• Increases funding for legislator per diem and travel for attending legislative conferences	\$78,477		\$78,477
	• Reduces funding for replacing legislative computer equipment from \$144,300 in the 2001-03 biennium to \$45,000 in the 2003-05 biennium	(\$99,300)		(\$99,300)
	• Reduces funding for information technology systems and projects	(\$134,270)		(\$134,270)
180	<b>Judicial Branch</b>			
	<b>Supreme Court</b>			
	• Provides funding for a 3 percent salary increase for the Supreme Court justices for the first year of the biennium and a 2 percent increase for the second year	\$48,606		\$48,606
	• Provides funding to continue justices and employee salary increases given during the 2001-03 biennium pursuant to the judicial branch salary schedule	\$108,860		\$108,860
	• Reduces funding for operating expenses, primarily relating to office equipment and furniture (\$74,000)	(\$30,348)		(\$30,348)
	<b>District Court</b>			
	• Provides funding for a 3 percent salary increase for the district court judges for the first and second years of the biennium	\$461,764		\$461,764
	• Provides funding to continue judges and employee salary increases given during the 2001-03 biennium pursuant to the judicial branch salary schedule	\$1,137,316	\$32,263	\$1,169,579
	• Increases capital assets from \$43,900 to \$109,500 to provide funding for new copy machines in each of the seven districts (\$74,500) and a new telephone system in the northwest district (\$35,000)	\$65,600		\$65,600
	• Reduces funding for operating expenses, primarily relating to travel, information technology, and office equipment and furniture. Increases in operating expenses include contract	(\$120,220)	(\$213,599)	(\$333,819)



Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	payments to counties for clerk services (\$255,199) and a 5 percent increase for indigent defense attorneys (\$220,626)			
<b>190</b>	<b>Retirement and Investment Office</b>			
	• Deletes 1 FTE for a vacant administrative assistant I position		(\$28,809)	(\$28,809)
	• Provides funding to replace the retirement administration mainframe computer system		\$2,000,000	\$2,000,000
<b>192</b>	<b>Public Employees Retirement System</b>			
	• Adds 2 FTE positions (data processing coordinator III and auditor II)		\$66,233	\$66,233
	• Provides additional funding in the contingency line item for Health Insurance Portability and Accountability Act compliance		\$225,000	\$225,000
	• Provides additional funding for salary equity increases for Public Employees Retirement System employees		\$80,362	\$80,362
<b>EDUCATION</b>				
<b>201</b>	<b>Department of Public Instruction</b>			
	• Increases funding for state school aid from \$473,971,648 to \$478,056,990	\$4,085,342		\$4,085,342
	• Increases funding for teacher compensation payments from \$35,036,000 to \$66,277,000	\$31,241,000		\$31,241,000
	• Provides funding for hold harmless payments to school districts	\$1,200,000		\$1,200,000
	• Increases funding from \$2.2 million to \$3.2 million for revenue supplemental payments to schools pursuant to North Dakota Century Code (NDCC) Section 15-40.1-07.8	\$1,000,000		\$1,000,000
	• Decreases funding for reorganization and joint powers incentives from \$1,665,000 to \$1,000,000	(\$665,000)		(\$665,000)
	• Increases funding for tuition apportionment payments to school districts from \$67,239,025 to \$69,495,371		\$2,256,346	\$2,256,346
	• Increases funding for the Governor's school program from \$205,000 to \$225,000	\$20,000		\$20,000
	• Increases federal funding for other grants from \$152 million (adjusted appropriation) to \$179 million to reflect changes in various federal programs		\$27,033,069	\$27,033,069
	• Removes one-time funding provided in the 2001-03 biennium for expenses associated with the development of a school district compensation report	(\$200,000)		(\$200,000)
	• Removes funding for the geographic education program (\$100,000) and national board certification (\$41,500) due to professional development funding being available to school districts under the federal No Child Left Behind Act	(\$141,500)		(\$141,500)
	• Provides funding for the continuation of the development of a student data base project to compile data required by the No Child Left Behind Act		\$800,000	\$800,000
<b>215</b>	<b>North Dakota University System Office</b>			
	• Consolidates funding for the state grant program, the professional student exchange program, the scholars program, the Native American scholarship program, and education incentive programs into student grant programs; adds additional funding of \$2 million for an internship	(\$6,036,409)	\$6,906,819	\$870,410

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	program; and changes the funding source for the programs from the general fund to funds from the student loan trust fund			
	• Changes the funding source for competitive research matching funding from the state general fund to the student loan trust fund	(\$4,000,000)	\$4,000,000	
	• Consolidates funding for contingency and capital improvement emergencies, disabled student services, and equity and special needs; reduces funding from the general fund by \$925,000; and adds funding from the water development trust fund (\$1,452,074) for North Dakota State University and the University of North Dakota repayment of loans from the Bank of North Dakota for the state's share of disaster-related costs	(\$925,000)	\$1,456,074	\$531,074
	• Provides funding from the student loan trust fund for system initiatives, including the establishment of Centers for Excellence within the University System		\$5,000,000	\$5,000,000
	• Consolidates funding for all higher education institutions "operations" into one line item in the University System budget	\$299,415,187		\$299,415,187
	• Consolidates funding for capital bond payments, campus extraordinary repairs, campus energy projects, and major capital projects into one line item in the University System budget	\$10,080,502	\$97,286,598	\$107,367,100
<b>226</b>	<b>Land Department</b>			
	• Deletes .75 FTE administrative secretary III position		(\$62,701)	(\$62,701)
	• Provides a contingency line item for unforeseen costs on school lands		\$100,000	\$100,000
	• Provides funding in capital assets for purchase of new IT equipment		\$37,000	\$37,000
	• Increases funding for operating expenses, due in part to the addition of \$85,000 of special funds to purchase unclaimed property software		\$28,065	\$28,065
<b>227</b>	<b>Bismarck State College</b>			
	• Consolidates funding for all higher education institutions into the University System budget	(\$16,646,887)		(\$16,646,887)
<b>228</b>	<b>Lake Region State College</b>			
	• Consolidates funding for all higher education institutions into the University System budget	(\$5,107,287)	(\$325,000)	(\$5,432,287)
<b>229</b>	<b>Williston State College</b>			
	• Consolidates funding for all higher education institutions into the University System budget	(\$5,513,664)		(\$5,513,664)
<b>230</b>	<b>University of North Dakota</b>			
	• Consolidates the University of North Dakota School of Medicine and Health Sciences budget into the University of North Dakota budget prior to consolidation into the University System budget. Previously, the School of Medicine was provided a separate appropriation.			
	• Consolidates funding for all higher education institutions into the University System budget	(\$119,314,982)	(\$18,841,785)	(\$138,156,767)
<b>235</b>	<b>North Dakota State University</b>			
	• Consolidates funding for all higher education institutions into the University System budget	(\$70,150,396)	(\$35,366,348)	(\$105,516,744)

<b>Dept. No.</b>	<b>Agency/Item Description</b>	<b>General Fund Increase (Decrease)</b>	<b>Special Funds Increase (Decrease)</b>	<b>Total</b>
<b>238</b>	<b>State College of Science</b> • Consolidates funding for all higher education institutions into the University System budget	(\$27,130,802)	(\$5,216,720)	(\$32,347,522)
<b>239</b>	<b>Dickinson State University</b> • Consolidates funding for all higher education institutions into the University System budget	(\$14,254,893)	(\$4,000,000)	(\$18,254,893)
<b>240</b>	<b>Mayville State University</b> • Consolidates funding for all higher education institutions into the University System budget	(\$9,240,337)	(\$4,000,000)	(\$13,240,337)
<b>241</b>	<b>Minot State University</b> • Consolidates funding for all higher education institutions into the University System budget	(\$26,674,757)	(\$7,850,000)	(\$34,524,757)
<b>242</b>	<b>Valley City State University</b> • Consolidates funding for all higher education institutions into the University System budget	(\$12,480,847)		(\$12,480,847)
<b>243</b>	<b>Minot State University - Bottineau</b> • Consolidates funding for all higher education institutions into the University System budget	(\$4,325,277)		(\$4,325,277)
<b>244</b>	<b>Forest Service</b> • Provides funding of \$115,000 from the Forest Service reserve fund for an equipment supply storage building in Towner (\$90,000) and an equipment supply storage building in Bottineau (\$25,000)		\$115,000	\$115,000
<b>250</b>	<b>State Library</b> • Decreases funding for state aid to public libraries and Library Vision 2004, from \$1,138,745 to \$1,081,807	(\$56,938)		(\$56,938)
<b>252</b>	<b>School for the Deaf</b> • Deletes a .50 cook FTE position (\$31,530) and a .75 faculty not classified FTE position (\$69,274) • Provides funding for replacement of computers • Provides funding for expansion of parking lot	(\$100,804) \$18,500 \$29,923		(\$100,804) \$18,500 \$32,723
<b>253</b>	<b>North Dakota Vision Services - School for the Blind</b> • Deletes 1 FTE office assistant position (\$64,680) and 1 FTE vision outreach specialist position (\$82,602) • Decreases general fund spending authority and increases special funds spending authority for operating expenses	(\$64,680) (\$184,006)	(\$82,602) \$134,226	(\$147,282) (\$49,780)
<b>270</b>	<b>State Board for Vocational and Technical Education</b> • Deletes 1 FTE computer and network specialist III position • Reduces federal funds for grants to reflect the ending of the school-to-work initiative • Reduces funding to \$372,234 for providing assistance to schools in information technology		(\$87,833) (\$4,002,758)	(\$87,833) (\$4,002,758)
		(\$50,066)		(\$50,066)

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	program development. This was administered by ExplorNet in the 2001-03 biennium but will be administered by the agency in the 2003-05 biennium.			
	<ul style="list-style-type: none"> <li>Increases general fund grants for videoconferencing of vocational technical education courses (\$250,000) and career development counseling (\$500,000). Increases federal funds grants for mentoring and professional development (\$245,000).</li> </ul>	\$750,000	\$245,000	\$995,000
	<ul style="list-style-type: none"> <li>Reduces operating expenses, primarily due to ending of the school-to-work initiative and the finalization of the National Finance-Career Cluster Curriculum Project</li> </ul>	(\$104,500)	(\$159,802)	(\$264,302)
	<ul style="list-style-type: none"> <li>Increases the adult farm management line item to \$625,760</li> </ul>	\$50,000		\$50,000
<b>HEALTH AND HUMAN SERVICES</b>				
<b>301</b>	<b>State Department of Health</b>			
	<ul style="list-style-type: none"> <li>Transfers the state crime lab to the Attorney General's office, including 14.5 FTE positions</li> </ul>	(\$1,461,376)	(\$832,823)	(\$2,294,199)
	<ul style="list-style-type: none"> <li>Provides bonding authority (\$614,865) and federal bioterrorism funds (\$450,000) for the renovation of the existing East Laboratory</li> </ul>		\$1,064,865	\$1,064,865
	<ul style="list-style-type: none"> <li>Authorizes the issuance of bonds for construction of a new morgue (\$800,000) and storage building (\$160,000)</li> </ul>		\$960,000	\$960,000
	<ul style="list-style-type: none"> <li>Provides funding for a combination tobacco "quit line" (\$800,000 from the community health trust fund) and an "Ask a Nurse" health hotline (\$2.4 million from federal bioterrorism funds)</li> </ul>		\$3,200,000	\$3,200,000
	<ul style="list-style-type: none"> <li>Provides federal funding from the Centers for Disease Control and Prevention (CDC) and Health Resources and Services Administration (HRSA) for bioterrorism preparedness and response programs (\$9,940,933), excluding funding for the health hotline (\$2.4 million) and East Laboratory building (\$450,000). The total recommendation for bioterrorism programs is \$12,790,933.</li> </ul>		\$2,549,280	\$2,549,280
	<ul style="list-style-type: none"> <li>Provides funding for Healthy North Dakota, which includes suicide prevention and school health and wellness programs</li> </ul>	\$200,000		\$200,000
	<ul style="list-style-type: none"> <li>Transfers the administration of the Occupational Safety and Health Administration (OSHA) program, including 3 FTE positions, to Bismarck State College</li> </ul>	(\$34,559)	(\$311,038)	(\$345,597)
	<ul style="list-style-type: none"> <li>Provides funding for 1 FTE water testing position transferred from the State Water Commission</li> </ul>		\$79,839	\$79,839
<b>313</b>	<b>Veterans Home</b>			
	<ul style="list-style-type: none"> <li>Provides funding for 1 FTE information management analyst position</li> </ul>		\$92,466	\$92,466
	<ul style="list-style-type: none"> <li>Provides additional funding from the balance available in the Veterans Home operating fund primarily for nurses' salaries and wages</li> </ul>		\$926,024	\$926,024
<b>324</b>	<b>Children's Services Coordinating Committee</b>			
	<ul style="list-style-type: none"> <li>Reduces the federal funding projected to be available from "refinancing" due to a federal policy change relating to the allowable uses of federal IV-E foster care funds. The 2001 Legislative Assembly appropriated \$8.33 million of "refinancing" funds. The 2003-05 executive budget includes \$2.36 million from "refinancing" activities.</li> </ul>		(\$5,969,895)	(\$5,969,895)

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> <li>Eliminates statewide grants of \$850,000 and regional and tribal children's services coordinating committees grants to providers of \$3.3 million from funds generated from "refinancing" activities. These reductions are reflected in the decrease shown above.</li> </ul>			
<b>325</b>	<b>Department of Human Services</b>			
	<ul style="list-style-type: none"> <li>Changes the funding source to the general fund for operating costs of the administration-support program due to the sale of the developmental disability loan fund loans to the Bank of North Dakota as authorized by the 2001 Legislative Assembly</li> </ul>	\$871,765	(\$871,765)	
	<ul style="list-style-type: none"> <li>Increases funding for TANF benefits from \$25.6 million appropriated for the 2001-03 biennium to \$29.5 million for the 2003-05 biennium</li> </ul>		\$3,881,884	\$3,881,884
	<ul style="list-style-type: none"> <li>Provides \$2.6 million for the Indian country allocation compared to \$2.5 million for the 2001-03 biennium. The grants are provided at 90 percent of the excess costs calculated pursuant to NDCC Section 50-01.2-03.2(3), the same as the 2001-03 biennium.</li> </ul>	\$192,566	(\$103,400)	\$89,166
	<ul style="list-style-type: none"> <li>Eliminates the following optional medical assistance services for adults: <ul style="list-style-type: none"> <li>Chiropractic (\$267,607)</li> <li>Dental (\$7,305,319)</li> <li>Hospice (\$1,291,600)</li> <li>Private duty nursing (\$1,459)</li> </ul> </li> </ul>	(\$2,812,905)	(\$6,053,080)	(\$8,865,985)
	<ul style="list-style-type: none"> <li>Increases funding for prescription drugs in the medical assistance program to \$101.1 million, of which \$32.4 million is state matching funds. These amounts reflect an anticipated reduction in costs of \$9,563,923, of which \$2,705,081 is from the general fund due to the development of a prescription drug cost-containment program for the 2003-05 biennium.</li> </ul>	\$9,059,251	\$12,910,266	\$21,969,517
	<ul style="list-style-type: none"> <li>Continues the medical assistance policy change implemented during the 2001-03 biennium relating to the allowable provider charges that will be paid by medical assistance when the medical assistance program is the secondary payer to the federal Medicare program. Previously, the medical assistance program accepted the Medicare allowable cost for the service and paid the eligible individual's deductible and coinsurance for the service. Under the new policy, the medical assistance program will pay only the difference between the charge allowed by Medicaid and the amount paid by Medicare. This is consistent with the medical assistance policy involving other private insurance companies.</li> </ul>	(\$1,927,038)	(\$4,146,785)	(\$6,073,823)
	<ul style="list-style-type: none"> <li>Creates a prescription drug assistance program for low-income senior citizens with gross incomes of up to 210 percent of the federal poverty level. Eligibility would be determined by the counties, and assets are not considered when determining eligibility.</li> </ul>	\$3,373,735	\$6,911,734	\$10,285,469
	<ul style="list-style-type: none"> <li>Provides additional funding to increase developmental disability provider rates to allow for payment of a provider tax on intermediate care facilities for the mentally retarded (ICF/MR), including the Developmental Center</li> </ul>	\$1,850,326	\$3,982,922	\$5,833,248
	<ul style="list-style-type: none"> <li>Continues medical assistance coverage for breast and cervical cancer treatment. The 2001 Legislative Assembly provided coverage only for the 2001-03 biennium. Total funds provided</li> </ul>			

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	are \$544,120. The state matching funds of \$114,755 are provided from the community health trust fund, the same as the 2001-03 biennium.			
	• Changes medical assistance eligibility requirements for the families coverage group. The change makes adults in the family ineligible for medical assistance if the primary wage earner works more than 100 hours per month.	(\$4,100,000)	(\$8,800,000)	(\$12,900,000)
	• Changes the medical assistance policy that allows individuals with a recipient liability to apply medical charges incurred prior to qualifying for medical assistance toward their recipient liability. The change allows previous medical charges to be applied toward the individual's recipient liability only up to \$15 per month.	(\$720,000)	(\$1,527,191)	(\$2,247,191)
	• Continues the medical assistance policy change implemented during the 2001-03 biennium to limit capital costs for hospitals to no more than \$275 per discharge. Previously, these property cost charges were not subject to limits. Other charges are based on diagnostic- related group (DRG) limits.	(\$600,000)	(\$1,200,000)	(\$1,800,000)
	• Combines funding for nursing facility care, basic care assistance, service payments for elderly and disabled (SPED), expanded SPED, and the waiver for traumatic brain-injured and aged and disabled services into one line item and funding program; therefore, the department may transfer funding among these assistance programs as needed			
	• Increases funding for SPED from \$13,415,595 to \$18,839,037, a 40 percent increase. Of the total, \$6,898,302 is from the health care trust fund, the same as the 2001-03 biennium, and \$10,773,063 is from the general fund.	\$4,937,921	\$485,521	\$5,423,442
	• Increases funding for expanded SPED from \$1,203,280 to \$1,780,594, a 48 percent increase	\$577,314		\$577,314
	• Provides funding of \$8,395,725 for basic care assistance, of which \$365,777 is from the general fund and \$382,080 is from the health care trust fund	\$365,777	(\$834,310)	(\$468,533)
	• Provides \$306.6 million for nursing facility care, of which \$69.1 million is from the general fund and \$29.1 million from the health care trust fund. For the 2001-03 biennium, \$9.1 million was provided from the health care trust fund.	(\$10,546,807)	\$22,055,021	\$11,508,214
	• Reduces the number of nursing facility beds that are anticipated to be occupied by a Medicaid-eligible individual by 36 beds per day, from 3,700 to 3,664, during the 2003-05 biennium. The number of filled beds for September through November 2002 averaged 3,696 per month.	(\$1,003,343)	(\$2,158,426)	(\$3,161,769)
	• Provides a 3.66 percent inflationary increase for nursing facilities for each year of the biennium	\$1,526,924	\$3,242,287	\$4,769,211
	• Decreases nursing facility payment limits for direct care costs from 99 percent to 85 percent	(\$2,693,139)	(\$5,784,973)	(\$8,478,112)
	• Eliminates funding for the 3 percent nursing facility operating margin	(\$1,932,211)	(\$4,156,667)	(\$6,088,878)
	• Eliminates nursing facility incentives, which have been up to \$2.60 per day of additional revenues for nursing facilities	(\$432,302)	(\$931,245)	(\$1,363,547)
	• Reflects the reduction in North Dakota's federal medical assistance percentage (FMAP) from 69.87 percent in federal fiscal year 2002 to 68.36 percent in federal fiscal year 2003, to	\$17,200,000	(\$17,200,000)	

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	68.31 percent in federal fiscal year 2004, to an estimated 67.47 percent in federal fiscal year 2005. The reduction shown is an estimate based on 2003-05 executive budget adjustments.			
	• Removes funding for developmental disability services for individuals who are not Medicaid eligible. The budget increases federal funds for services for these individuals in the medical assistance program.	(\$1,980,659)	\$2,067,035	\$86,376
	• Allows individuals with developmental disabilities receiving either family support services or individual supportive living arrangement (ISLA) services to use a qualified service provider (QSP) rather than using a traditional licensed provider	(\$483,322)	(\$460,133)	(\$943,455)
	• Removes funding in Aging Services for the Governor's Committee on Aging	(\$20,000)		(\$20,000)
	• Removes funding in Aging Services for the telecommunications equipment distribution program	(\$200,000)		(\$200,000)
	• Provides \$1,662,945 in Aging Services for the senior citizen mill levy matching grant program, \$1,412,945 of which is from the general fund and \$250,000 from the health care trust fund, the same as the 2001-03 biennium			
	• Removes federal funding in Aging Services for adult protective services		(\$189,907)	(\$189,907)
	• Adds funding in Children and Family Services for foster care services due to the privatization of the Ruth Meiers Adolescent Treatment Center in Grand Forks and the Manchester House Adolescent Treatment Center in Bismarck	\$921,672	\$2,424,785	\$3,346,457
	• Increases funding in Children and Family Services for subsidized adoption	\$1,457,319	\$1,856,159	\$3,313,478
	• Provides funding of \$200,000 from the Children's Services Coordinating Committee in Mental Health Services for the Native American youth alcohol and drug education program, the same as the 2001-03 biennium. Due to the reduction in "refinancing" funds available through the Children's Services Coordinating Committee, these funds are not anticipated to be available during the 2003-05 biennium.			
	• Provides funding of \$1,094,539, of which \$192,345 is from the general fund, \$802,194 is from federal funds, and \$100,000 is from the health care trust fund in Disability Services for independent living center grants	(\$226,647)	\$224,487	(\$2,160)
	• Removes funding for extraordinary repairs at the State Hospital	(\$403,676)		(\$403,676)
	• Provides funding from proceeds of the sale of the LaHaug Building to the Department of Corrections and Rehabilitation for remodeling State Hospital buildings to house State Hospital programs and services previously located in the LaHaug Building		\$400,000	\$400,000
	• Transfers the State Hospital laundry to the Department of Corrections and Rehabilitation, including 4 FTE positions	(\$253,565)		(\$253,565)
	• Transfers the State Hospital food service program to the Department of Corrections and Rehabilitation. Thirty FTE positions are removed from the State Hospital budget.	(\$2,185,862)		(\$2,185,862)
	• Discontinues contracting for dental services at the State Hospital. The Developmental Center dentist will provide dental services at the State Hospital.	(\$129,526)		(\$129,526)

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Increases funding at the State Hospital for medical, dental, and optical supplies primarily due to the increasing cost of medications	\$113,829		\$113,829
	• Provides \$1,665,810, of which \$528,062 is from the general fund for the Developmental Center to pay the Governor's recommended provider tax on intermediate care facilities for the mentally retarded	\$528,062	\$1,137,748	\$1,665,810
	• Removes funding for extraordinary repairs at the Developmental Center	(\$215,129)		(\$215,129)
	• Provides a \$250,000 funding pool to be distributed to human service centers for mental health and substance abuse services based on the needs of the regions	\$250,000		\$250,000
	• Increases anticipated income from the Department of Corrections and Rehabilitation for providing treatment services to inmates to \$2,595,848. Although \$2,139,284 of income from the Department of Corrections and Rehabilitation was appropriated to the State Hospital for the 2001-03 biennium because of legislative reductions made to the 2001-03 Department of Corrections and Rehabilitation's budget, the State Hospital anticipates receiving only \$1.6 million during the 2001-03 biennium.		\$456,564	\$456,564
	• Replaces one-time funding appropriated for the 2001-03 biennium from human service center collections with funding from the general fund. The department's 2001-03 biennium budget included human service center income generated prior to the 2001-03 biennium and not spent as additional one-time special funds income which is not available for the 2003-05 biennium.	\$2,600,000	(\$2,600,000)	
	• Removes funding from the Children's Services Coordinating Committee for mental health partnership programs at the human service centers		(\$600,000)	(\$600,000)
	• Removes funding for the retired senior volunteer program at the North Central, Northeast, and Southeast Human Service Centers	(\$19,326)	(\$397,166)	(\$416,492)
	• Removes funding for the Northwest Human Service Center's mental health transitional living facility	(\$327,507)	(\$51,079)	(\$378,586)
	• Removes funding for the Northwest Human Service Center's mental health partial care program	(\$137,631)	(\$9,265)	(\$146,896)
	• Reduces funding for the Oppen program at the North Central Human Service Center to \$485,000, of which \$345,000 is from the general fund	(\$161,099)		(\$161,099)
	• Eliminates the seriously mentally ill community support grant at the North Central Human Service Center	(\$33,869)		(\$33,869)
	• Removes funding and 13.3 FTE positions at the Northeast Human Service Center for the Ruth Meiers Adolescent Treatment Center. The department plans to privatize the center.	(\$749,789)	(\$774,624)	(\$1,524,413)
	• Removes funding at the Northeast Human Service Center for the seriously mentally ill day treatment program	(\$121,220)	(\$69,850)	(\$191,070)
	• Removes funding at the Northeast Human Service Center for mental health program work activity and supervision	(\$37,107)	(\$70,893)	(\$108,000)
	• Removes funding at the Southeast Human Service Center for emergency foster care (\$77,065)	(\$79,916)	(\$20,800)	(\$100,716)



Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	and access and visitation (\$23,111)			
	• Reduces funding at the Southeast Human Service Center for mental health intensive in-home services and psychiatric services	(\$256,271)		(\$256,271)
	• Increases funding at the Southeast Human Service Center for a staff physician	\$127,977		\$127,977
	• Removes funding at the South Central Human Service Center for the SMI specialized partial care program	(\$140,615)	(\$110,907)	(\$251,522)
	• Removes funding and 20 FTE positions at the West Central Human Service Center for the Manchester House Adolescent Treatment Center. The department plans to privatize the center.	(\$604,337)	(\$1,415,014)	(\$2,019,351)
	• Reduces funding at the West Central Human Service Center for case-aide services for children with serious emotional disorders	(\$128,639)	(\$111,807)	(\$240,446)
	• Increases federal funding at the West Central Human Service Center for long-term residential services for individuals needing substance abuse treatment		\$915,173	\$915,173
	• Removes funding and 2.65 FTE positions at the West Central Human Service Center for the dual diagnosis program	(\$85,977)	(\$119,965)	(\$205,942)
	• Reduces funding at the Badlands Human Service Center for medical director and psychiatric services to \$431,166, of which \$257,076 is from the general fund	(\$84,622)		(\$84,622)
	• Reduces funding at the Badlands Human Service Center for short-term residential services for individuals needing substance abuse treatment to \$188,400 from the general fund	(\$81,600)		(\$81,600)
<b>380</b>	<b>Job Service North Dakota</b>			
	• Decreases funding for Work Force 2000 from \$2,100,356 to \$2,002,861. Funding is provided for salaries and wages (\$88,077), operating expenses (\$14,551), and grants (\$1,900,233).	(\$97,495)		(\$97,495)
	• Adds 1 programmer analyst III FTE position (\$127,598) and 1 senior programmer analyst FTE position (\$127,598)		\$255,196	\$255,196
	• Deletes 24.61 FTE positions not requested by agency		(\$2,092,245)	(\$2,092,245)
	• Removes one-time funding provided in the 2001-03 biennium for construction of a Bismarck service delivery office		(\$2,302,000)	(\$2,302,000)
<b>REGULATORY</b>				
<b>401</b>	<b>Insurance Commissioner, including insurance tax payments to fire departments</b>			
	• Removes one-time funding provided in the 2001-03 biennium relating to the study of evaluating health insurance coverage mandates (\$250,000) and office remodeling (\$67,000)		(\$317,000)	(\$317,000)
	• Removes funding of \$55,000 relating to the payment for cost-benefit analyses of 2005 Legislative Assembly measures mandating health insurance coverage		(\$55,000)	(\$55,000)
	• Decreases funding for operating expenses		(\$168,672)	(\$168,672)
	• Provides funding for an imaging system		\$62,522	\$62,522

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
<b>405</b>	<b>Industrial Commission</b>			
	• Deletes 2.38 FTE positions from the Oil and Gas Division (.19 clerk III, .19 information processing coordinator II, petroleum engineer IV, and oil and gas production analyst)	(\$263,953)		(\$263,953)
	• Deletes 1 FTE geologist III position from the Geological Survey Division	(\$131,152)		(\$131,152)
	• Deletes 1.25 FTE positions from the Municipal Bond Bank Division (.25 appointed position and office assistant I)		(\$91,490)	(\$91,490)
	• Increases bond payments due to increased lease payments reflecting lower investment earnings from debt service reserve accounts and additional lease payments from projects financed during the 2001-03 biennium		\$1,874,931	\$1,874,931
	• Provides funding for capital assets in three divisions (Oil and Gas Division - \$33,600, Geological Survey - \$22,500, and Municipal Bond Bank - \$12,200)	\$56,100	\$12,200	\$68,300
<b>406</b>	<b>Labor Commissioner</b>			
	• Decreases funding for operating expenses	(\$90,304)		(\$90,304)
<b>408</b>	<b>Public Service Commission</b>			
	• Provides funding from the North Dakota rail rehabilitation loan program to begin the initial stages of a possible rail rate complaint case		\$250,000	\$250,000
<b>412</b>	<b>Aeronautics Commission</b>			
	• Decreases funding for the air carrier grant program from \$6,938,000, of which \$550,000 was from the general fund, \$950,000 was from aviation fuel taxes, and \$5,438,000 was from federal funds, to \$3,500,000, of which \$522,500 is from the general fund, \$977,500 is from aviation fuel taxes, and \$2,000,000 is from federal funds	(\$27,500)	(\$3,410,500)	(\$3,438,000)
	• Decreases funding for the secondary airport grant program from \$5,470,000, of which \$870,000 was from aviation fuel taxes and \$4,600,000 was from federal funds, to \$2,985,000, of which \$985,000 is from aviation fuel taxes and \$2,000,000 is from federal funds		(\$2,485,000)	(\$2,485,000)
<b>413</b>	<b>Department of Financial Institutions</b>			
	• Adds 1 FTE credit union examiner position		\$80,815	\$80,815
	• Adds a .5 FTE consumer finance company examiner position		\$50,038	\$50,038
	• Provides funding for equity salary increases to financial institution examiners, in addition to the executive compensation package		\$167,010	\$167,010
<b>414</b>	<b>Securities Commissioner</b>			
	• Provides special funds from a consent agreement executed by H. D. Vest Investment Securities, Inc., for education programs and technology		\$311,580	\$311,580
<b>471</b>	<b>Bank of North Dakota</b>			
	• Reduces the contingency line item from \$2,850,000 to \$1,500,000 for the potential need for		(\$1,350,000)	(\$1,350,000)

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	additional time for the Information Technology Department to complete development of student loan software			
	<ul style="list-style-type: none"> <li>Reduces the general fund appropriation for partnership in assisting community expansion (PACE) (\$300,000), Ag PACE (\$75,000), and beginning farmer (\$50,000) by 5 percent</li> </ul>	(\$425,000)		(\$425,000)
<b>473</b>	<b>Housing Finance Agency</b>			
	<ul style="list-style-type: none"> <li>Adds 5 new FTE positions due to increased workload associated with Housing and Urban Development (HUD) projects and program growth</li> </ul>		\$380,977	\$380,977
	<ul style="list-style-type: none"> <li>Reduces grants line item, primarily due to reduction in HUD grants contracts renewed at market rent (\$7,195,660), and an increase in grants for development of a multistate equity fund (\$200,000) and a new program to assist residents of Standing Rock and Spirit Lake Reservations to obtain home loans and purchase homes on the reservation (\$50,000)</li> </ul>		(\$6,895,660)	(\$6,895,660)
<b>475</b>	<b>Mill and Elevator Association</b>			
	<ul style="list-style-type: none"> <li>Adds 4 new FTE positions requested by the agency</li> </ul>		\$386,650	\$386,650
	<ul style="list-style-type: none"> <li>Increases salaries and wages to account for salary increases for regular and union employees</li> </ul>		\$2,564,308	\$2,564,308
	<ul style="list-style-type: none"> <li>Increases operating expenses for ongoing costs of operations</li> </ul>		\$5,460,950	\$5,460,950
<b>485</b>	<b>Workers Compensation Bureau</b>			
	<ul style="list-style-type: none"> <li>Adjusts funding for salaries and wages and operating expenses due to the elimination of contracted employees</li> </ul>		(\$484,638)	(\$484,638)
	<ul style="list-style-type: none"> <li>Provides funding to enhance the bureau's web-based services</li> </ul>		\$250,000	\$250,000
	<ul style="list-style-type: none"> <li>Provides funding to expand the bureau's services in the Fargo area</li> </ul>		\$324,000	\$324,000
<b>PUBLIC SAFETY</b>				
<b>504</b>	<b>Highway Patrol</b>			
	<ul style="list-style-type: none"> <li>Removes funding and 26 FTE positions relating to the closure of five of the eight weigh inspection stations</li> </ul>	(\$1,716,647)	(\$548,086)	(\$2,264,733)
	<ul style="list-style-type: none"> <li>Adds funding and 11 FTE positions for expanding the motor carrier safety assistance program</li> </ul>	\$173,000	\$965,000	\$1,138,000
	<ul style="list-style-type: none"> <li>Appropriates \$6,661,576 from the highway tax distribution fund for Highway Patrol operations (19.90 percent of the Highway Patrol budget) compared to \$6.2 million appropriated from the highway fund during the 2001-03 biennium (18.56 percent of the Highway Patrol budget)</li> </ul>		\$461,576	\$461,576
<b>512</b>	<b>Division of Emergency Management</b>			
	<ul style="list-style-type: none"> <li>Decreases funding for open disaster programs associated with flooding during spring 1997, spring 1998, spring 1999, and spring 2001 and severe weather during summer 2000 and fall 2001</li> </ul>		(\$53,828,365)	(\$53,828,365)
	<ul style="list-style-type: none"> <li>Provides federal funding from the Department of Justice primarily for grants to political subdivisions for homeland security planning</li> </ul>		\$4,290,250	\$4,290,250
	<ul style="list-style-type: none"> <li>Provides funding from the water development trust fund to repay loans from the Bank of North Dakota relating to the state's share of disaster-related costs</li> </ul>		\$8,900,000	\$8,900,000

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
<b>530</b>	<b>Department of Corrections and Rehabilitation</b>			
	<b>Juvenile Services</b>			
	• Provides funding for salary adjustments, in addition to the executive budget compensation package, to fully fund the salary schedule to maintain teachers at the level provided on the salary schedule prepared by Central Personnel	\$99,856		\$99,856
	• Reduces funding from the general fund to recognize anticipated salary savings related to possible delays in filling recommended new positions and normal agency turnover	(\$279,259)		(\$279,259)
	<b>Adult Services</b>			
	• Reduces funding from the general fund to recognize anticipated salary savings related to possible delays in filling recommended new positions and normal agency turnover	(\$1,337,458)		(\$1,337,458)
	• Provides one-time federal funding from the violent offender incarceration and truth-in-sentencing incentive grant to develop, coordinate, and implement a comprehensive reentry program in Fargo that targets youthful, serious, and violent offenders		\$1,357,708	\$1,357,708
	• Provides funding for a prerevocation center which will serve an offender population that, if not in this program, would be petitioned back to the court for the revocation of their probation. The funding for the prerevocation center includes 3 FTE positions.	\$2,711,325	\$110,189	\$2,821,514
	• Collocates the prerevocation center (30 beds), the Tompkins Rehabilitation and Corrections Unit (22 beds), and the DUI offender treatment program (24 beds) in the nurses' building at the State Hospital			
	• Adds 3 FTE positions in the Prisons Division for the State Penitentiary		\$233,814	\$233,814
	• Adds 6 FTE positions in the Prisons Division for the James River Correctional Center		\$473,974	\$473,974
	• Provides one-time federal funding from the violent offender incarceration and truth-in-sentencing incentive grant to purchase and remodel the State Hospital's LaHaug Building for the James River Correctional Center women's unit consisting of 174 beds (bed capacity could increase to 272 if inmates are "double-bunked"). The State Hospital will continue to use the basement of the building.		\$1,243,727	\$1,243,727
	• Provides funding for operating costs of the women's unit, including 65 FTE positions	\$5,486,781		\$5,486,781
	• Provides capital project funding from state bonding proceeds for Phase II of the James River Correctional Center master plan, including the transfer of the food service building and the laundry building to the Department of Corrections and Rehabilitation and renovation of those buildings		\$2,662,890	\$2,662,890
	• Provides funding for operating the food service and laundry facilities, including funding for 23 FTE positions (15 of the 23 FTE positions are transfers from the State Hospital)	\$3,629,245	\$536,359	\$4,165,604
	• Removes funding for contracting with out-of-state facilities to house North Dakota inmates	(\$3,336,415)	\$20,000	(\$3,316,415)
<b>540</b>	<b>Adjutant General/National Guard</b>			
	• Provides funding for 3 new FTE positions, geographic information systems specialist (\$90,579),		\$247,413	\$247,413

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	security officer (\$71,963), and other not classified (\$84,871)			
	• Decreases funding to account for one-time funding provided in the 2001-03 biennium for construction of the Wahpeton Armed Forces Reserve Center		(\$11,500,000)	(\$11,500,000)
	• Decreases funding to account for one-time funding provided in the 2001-03 biennium for grants to political subdivision-owned armories		(\$250,000)	(\$250,000)
	• Increases funding to fully fund operating costs relating to Wahpeton Armed Forces Reserve Center	\$90,446	\$119,950	\$210,396
<b>AGRICULTURE AND ECONOMIC DEVELOPMENT</b>				
<b>601</b>	<b>Department of Commerce</b>			
	• Removes funding for transfer to the Development Fund from \$2,350,000 during the 2001-03 biennium to \$0 for the 2003-05 biennium	(\$2,350,000)		(\$2,350,000)
	• Removes funding provided during the 2001-03 biennium for grants to political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark Bicentennial activities	(\$150,000)		(\$150,000)
	• Increases funding in the Tourism Division for Lewis and Clark Bicentennial-related programs and projects	\$132,441		\$132,441
	• Provides funding to continue the public/private partnership statewide talent recruitment initiative began during the 2001-03 biennium with a \$250,000 general fund appropriation. The executive budget provides \$350,000 for the initiative during the 2003-05 biennium, \$150,000 of which is from the general fund and \$200,000 of fee collections.	(\$100,000)	\$200,000	\$100,000
	• Increases funding for ethanol incentives to \$3,785,000 from the highway tax distribution fund		\$1,285,000	\$1,285,000
	• Increases federal funding for the Division of Community Services for grants to community action agencies under the community services block grant and the weatherization assistance program		\$4,909,185	\$4,909,185
	• Reduces funding to \$1.4 million for economic development and finance grants and designates \$200,000 of these grants for the New Economy Initiative	(\$226,165)		(\$226,165)
	• Recommends that up to \$1 million of funding available in the Development Fund be used for providing seed and early stage financing for possible new businesses			
	• Recommends that the Development Fund manage a \$10 million new venture fund, contingent on the availability of private funding for providing financing and technical assistance for new businesses			
<b>602</b>	<b>Department of Agriculture</b>			
	• Provides federal bioterrorism funding for 1 FTE veterinarian position for the Board of Animal Health		\$133,399	\$133,399
	• Provides funding for a 0.5 FTE agriculture program specialist position for the state meat inspection program	\$18,404	\$26,483	\$44,887
	• Replaces \$82,000 of general fund money for the Board of Animal Health with game and fish funds for assistance with contagious and infectious diseases of nontraditional wildlife	(\$82,000)	\$82,000	

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
<b>627</b>	<b>Upper Great Plains Transportation Institute</b>			
	• Adds a total of 3 new FTE research positions for the Small Urban and Rural Transit Center, the Advanced Traffic Analysis Center, and the Department of Transportation Support Center		\$395,046	\$395,046
<b>628</b>	<b>Branch Research Centers</b>			
	• Provides funding for the construction of a new Dickinson headquarters office and multipurpose room building (Phase I) from Dickinson station oil revenues (\$1 million) and local contributions (\$400,000)		\$1,400,000	\$1,400,000
	• Deletes 4.45 FTE positions	(\$233,195)	(\$44,210)	(\$277,405)
<b>630</b>	<b>NDSU Extension Service</b>			
	• Deletes 4.15 FTE positions	(\$544,253)		(\$544,253)
<b>640</b>	<b>NDSU Main Research Center</b>			
	• Provides funding from the environment and rangeland protection fund for chemical storage buildings at the Main Research Center in Fargo and the Hettinger Research Center		\$120,000	\$120,000
	• Provides funding from grants, contracts, and other sources for a heated and insulated building to house a Buhler semi-industrial research mill donated to North Dakota State University		\$1,000,000	\$1,000,000
	• Deletes 11.62 FTE positions	(\$1,576,546)	(\$113,831)	(\$1,690,377)
	• Provides funding for critical areas and new initiatives at the Main Research Center, branch research centers, NDSU Extension Service, and Northern Crops Institute. The special funds are from the minor use pesticide fund for minor use pesticide research programs.	\$995,408	\$250,000	\$1,245,408
<b>665</b>	<b>State Fair Association</b>			
	• Decreases funding for premiums from \$385,000, of which \$365,000 is from the general fund, to \$266,750, of which \$346,750 is from the general fund	(\$18,250)		(\$18,250)
<b>NATURAL RESOURCES</b>				
<b>701</b>	<b>State Historical Society</b>			
	• Provides funding for two .5 FTE office assistant positions requested by the agency to convert long-term temporary positions to permanent status	\$66,667		\$66,667
	• Reduces funding for capital assets. Funding of \$889,544 is provided for four capital projects, equipment, and extraordinary repairs.	(\$477,000)	(\$4,111,160)	(\$4,588,160)
	• Reduces funding for Lewis and Clark Bicentennial activities to \$1 million to reflect adjustments for one-time grants and project changes. Provides funding for programming, Double Ditch field school, marketing, and other Lewis and Clark Bicentennial activities.	(\$498,549)		(\$498,549)
	• Increases grants to reflect an increase in the federal historic preservation grant program		\$514,441	\$514,441
<b>709</b>	<b>Council on the Arts</b>			
	• Increases the grants line item to reflect anticipated federal funds through the challenge America program		\$65,800	\$65,800

Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<ul style="list-style-type: none"> <li>Provides \$183,750 from the general fund for Lewis and Clark Bicentennial initiatives</li> </ul>	\$8,802		\$8,802
	<ul style="list-style-type: none"> <li>Increases operating expenses line item due to anticipated increase in biennial rent expense (\$13,476) and anticipated inflationary increases</li> </ul>	(\$3,214)	\$19,622	\$16,408
<b>720</b>	<b>Game and Fish Department</b>			
	<ul style="list-style-type: none"> <li>Adds 3 FTE biologist I positions for habitat and access programs</li> </ul>		\$241,922	\$241,922
	<ul style="list-style-type: none"> <li>Provides increased funding for capital improvements, including \$600,000 for construction of a Bismarck shop and \$500,000 for hunting land acquisitions</li> </ul>		\$663,758	\$663,758
	<ul style="list-style-type: none"> <li>Removes funding for the waterbank program</li> </ul>		(\$200,000)	(\$200,000)
	<ul style="list-style-type: none"> <li>Increases funding for noxious weed control</li> </ul>		\$50,000	\$50,000
	<ul style="list-style-type: none"> <li>Provides funding for inflationary increases in operating expenses</li> </ul>		\$554,700	\$554,700
<b>750</b>	<b>Parks and Recreation Department</b>			
	<ul style="list-style-type: none"> <li>Adds two .75 FTE maintenance worker I positions, one at Devils Lake and one at Fort Lincoln</li> </ul>		\$90,232	\$90,232
	<ul style="list-style-type: none"> <li>Provides \$971,486, of which \$321,486 is from the general fund, \$210,000 from federal funds, and \$440,000 from revenue bond proceeds for Lewis and Clark Bicentennial initiatives</li> </ul>	(\$443,955)	\$650,000	\$206,045
	<ul style="list-style-type: none"> <li>Increases grants line item as a result of a boating infrastructure grant (\$400,000), increases in federal apportionments (\$1,087,336), and a decrease in grants in the recreation program (\$50,000)</li> </ul>		\$1,437,336	\$1,437,336
	<ul style="list-style-type: none"> <li>Reduces funding for capital assets from \$4,840,089 to \$3,567,794, which includes \$575,250 for equipment and \$2,930,000 for capital projects, of which \$1,477,500 is provided from bond proceeds</li> </ul>	(\$1,315,795)	\$43,500	(\$1,272,295)
	<ul style="list-style-type: none"> <li>Increases operating expenses due in part to replacement of outdated telephone systems (\$75,071), inflationary increases in state park operating costs (\$100,000), Fort Abraham Lincoln State Park operations (\$150,000), and Sully Creek State Park operations (\$25,000)</li> </ul>	\$216,225	\$189,255	\$405,480
	<ul style="list-style-type: none"> <li>Provides an appropriation of \$575,287 from the water development trust fund to repay the Bank of North Dakota for 2001-03 biennium disaster recovery loans</li> </ul>		\$575,287	\$575,287
<b>770</b>	<b>State Water Commission</b>			
	<ul style="list-style-type: none"> <li>Replaces funding from the general fund with funding from the water development trust fund for administrative and operating expenses</li> </ul>	(\$9,236,683)	\$9,236,683	
	<ul style="list-style-type: none"> <li>Deletes 1 FTE position and transfers 1 FTE position due to the water testing program being transferred to the State Department of Health, which will conduct water testing on a contract basis for the State Water Commission</li> </ul>		(\$211,834)	(\$211,834)
	<ul style="list-style-type: none"> <li>Consolidates the State Water Commission programs into two line items--water and atmospheric resources and administrative and support services</li> </ul>			
	<ul style="list-style-type: none"> <li>Provides a continuing appropriation for the sale of land and the existing shop building at the corner of 26th Street and Broadway Avenue in Bismarck and uses the proceeds to build a</li> </ul>			

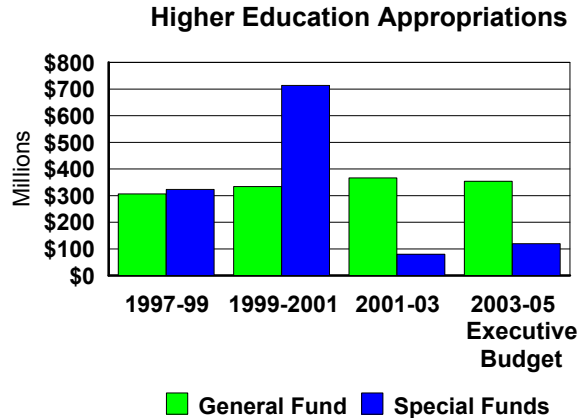
Dept. No.	Agency/Item Description	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	<p>maintenance facility at a new location. The total appropriation for the purchase of land and construction of the new building is \$977,100, which is the same as approved by the 2001 Legislative Assembly.</p> <ul style="list-style-type: none"> <li>Provides that bond issuances for statewide water projects may not exceed \$60 million, plus the costs of issuance, capitalized interest, and required reserves for the 2003-05 biennium</li> <li>Provides funding of \$13,650,000 from the resources trust fund for statewide water projects</li> <li>Provides funding of \$32,946,225 from the water development trust fund for operations (\$9,236,683), bond payments (approximately \$8 million), and water projects (approximately \$15.7 million)</li> </ul>			
<b>TRANSPORTATION</b>				
<b>801</b>	<b>Department of Transportation</b>			
	<ul style="list-style-type: none"> <li>Anticipates federal highway construction funds of \$165 million per year compared to \$169 million in federal fiscal year 2001 and \$181 million in federal fiscal year 2002</li> <li>Provides \$438.0 million for highway construction projects, of which \$99.9 million is from the highway fund. The 2001-03 biennium original appropriation for highway construction projects totaled \$451.2 million, of which \$87.9 million is from the highway fund.</li> <li>Provides \$40.8 million, of which \$31.2 million is from the highway fund and \$9.6 million is from federal funds for highway maintenance activities. For the 2003-05 biennium, the department anticipates utilizing approximately \$9.6 million of federal matching funds for seal coat projects. Previously, these projects were paid for with only state highway fund money.</li> <li>Removes contingent appropriation authority provided but not used during the 2001-03 biennium for a general license plate issue</li> <li>Removes funding for lease payments on the vehicle registration and titling system. The final lease payment was made during the 2001-03 biennium.</li> <li>Reduces funding for consulting engineers to \$14,965,429</li> <li>Reduces funding for airplane lease payments. Nine payments remain to be made during the 2003-05 biennium.</li> <li>Increases funding for air services due to increased usage</li> <li>Provides \$1,719,000 from the highway fund for replacing and making improvements at section and salt buildings</li> <li>Provides funding for replacing road maintenance equipment</li> <li>Includes \$3,175,000 to partially remodel the highway building and for a lighting retrofit project</li> <li>Provides \$24.4 million from the Fleet Services fund for replacing Fleet Services vehicles</li> <li>Increases Fleet Services operating costs from the Fleet Services fund</li> </ul>			
			(\$13,150,322)	(\$13,150,322)
			\$10,803,785	\$10,803,785
			(\$3,200,000)	(\$3,200,000)
			(\$1,053,362)	(\$1,053,362)
			(\$9,566,773)	(\$9,566,773)
			(\$1,102,138)	(\$1,102,138)
			\$313,000	\$313,000
			\$919,000	\$919,000
			\$1,900,000	\$1,900,000
			\$675,000	\$675,000
			\$2,798,300	\$2,798,300
			\$896,076	\$896,076



## HIGHER EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

The 2003-05 executive budget recommends the following higher education funding changes for the 2003-05 biennium compared to 2001-03 legislative appropriations for higher education:

- Decreases **general fund** support by \$13,049,943, or 3.6 percent, due in part to the changing of the funding source for student grant programs (\$6 million) and competitive research (\$4 million) from the general fund to the student loan trust fund and a \$925,000 general fund reduction relating to the University System contingency and capital emergency funding.
- Increases support from **special funds** by \$39,250,713, or 48.8 percent, due to the changing of the funding source for student grant programs (\$6 million) and competitive research (\$4 million) from the state general fund to the student loan trust fund, providing \$7 million from the student loan trust fund for a new student internship program (\$2 million) and system initiatives (\$5 million), and increasing major capital projects funded from special funds by \$23 million.
- Adjusts the authorized number of **FTE positions** from 3,088.55 to 2,400.38 to reflect agency reductions and adjust the number of FTE positions to the level supported by the general fund.



Biennium	General Fund	Special Funds	Total
1997-99	\$306,825,098	\$323,595,863	\$630,420,961
1999-2001	\$334,449,287	\$713,538,799	\$1,047,988,086
2001-03	\$366,953,836	\$80,367,201	\$447,321,037
2003-05 - Executive budget	\$353,903,893	\$119,617,914	\$473,521,807

The special fund amounts prior to 2001-03 reflect the appropriation of tuition and local funds.

Key recommendations include:

- The consolidation of the **University System office budget** from 16 line items to nine--system governance, Title II, student grant programs, contingency and capital emergency, competitive research, board initiatives, system initiatives, technology pool, and capital assets--and the consolidation of **higher education institutions' budgets** into two line items in the University System office budget--campus operations and capital assets.
- Funding of \$8,458,969, of which \$8,258,969 is from the student loan trust fund and \$200,000 is from federal funds, for **student grant programs**, including funding for the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, and education incentive programs. The funding also includes \$2 million of funding for a new student internship program to support internships for students entering growth industries that have critical shortages of available employees. Previously, the student financial assistance grant program, professional student exchange program, scholars program, Native American scholarship program, and education incentive programs received funding primarily from the general fund. This level of funding represents a total funds increase of \$870,410 from the 2001-03 legislative appropriation of \$7,588,559.
- Funding of \$1,752,767, of which \$296,693 is from the general fund and \$1,456,074 is from the water development trust fund, is recommended for **contingency and capital emergency funding**. This represents an increase in funding of \$1,508,458 from the 2001-03 biennium adjusted general appropriation of \$244,309. The funding of \$296,693 from the general fund, which compares to funding previously provided for disabled student services (\$51,560), equity and special needs (\$925,824), and contingency and capital improvement emergency (\$244,309), is to be used for unforeseen operations or capital asset needs and opportunities at higher education institutions. The funding of \$1,456,074 from the water development trust fund is for repayment of loans from the Bank of North Dakota by the University of North Dakota (\$1,193,146) and North Dakota State University (\$262,928) for disaster-related payments.
- Funding of \$4 million from the student loan trust fund is recommended for **competitive research** matching funding. This is the same level of funding provided for the 2001-03 biennium; however, previously, the competitive research funding was from the state general fund.

5. Funding of \$535,306 from the general fund for **board initiatives** to support University System and statewide goals linked to the State Board of Higher Education strategic plan and the Higher Education Roundtable report. This level of funding represents an increase in funding of \$100,819 from the 2001-03 biennium adjusted appropriation of \$434,487 for board initiatives.
6. Funding of \$5 million from the student loan trust fund is provided for **system initiatives**. The funding is to be allocated by the State Board of Higher Education to establish Centers of Excellence at higher education institutions to provide support for University System instruction, research, and outreach efforts.
7. A **technology pool** of \$26,138,137 from the general fund is provided for support of the Higher Education Computer Network, the Interactive Video Network, the On-line Dakota Information Network, and other related technology initiatives. The funding of \$26,138,137 includes funding previously provided for information technology management (\$216,676) and represents a decrease in funding of \$1,000,282 from the 2001-03 biennium adjusted technology pool general fund appropriation of \$27,138,419. Pursuant to Section 7 of 2001 House Bill No. 1003, the State Board of Higher Education is to allocate the funding based on historic funding and the University System information technology plan.
8. A **campus operations** line item of \$299,415,187 from the general fund is provided for support of the operations of the higher education institutions. Pursuant to Section 4 of House Bill No. 1003, the State Board of Higher Education is to allocate the funding based on the

board's long-term financing plan, institutions' costs to continue current operations, major new expenditures, other available funding sources, and other related criteria and is to provide each higher education institution at least 95 percent of its 2001-03 general fund appropriation for operations. The level of funding of \$299,415,187 is equal to the 2001-03 biennium adjusted general fund appropriations for campus operations.

9. Funding of \$120,097,941 is provided for **capital assets**, including:
  - \$12,790,689 for capital construction lease payments (House Bill No. 1003).
  - \$6,932,186 for campus extraordinary repairs (House Bill No. 1003).
  - \$3,134,517 for campus energy projects\* (\$3,029,191 in House Bill No. 1023 and \$105,326 in House Bill No. 1003).
  - \$97,240,549 for major capital projects (House Bill No. 1003).

Of the \$120,097,941, \$21,342,004 is from the general fund, \$84,246,420 is from special funds, and \$14,509,517 is from bond proceeds. Please refer to the schedules under the "Capital Construction" section for additional information regarding capital improvements.

\*The executive budget recommendation for campus energy improvement projects includes funding for projects at North Dakota State University (\$1,077,977) and the University of North Dakota (\$1,951,214), and inadvertently includes funding of \$105,326 for an energy improvement project at the Department of Corrections and Rehabilitation. Therefore, the executive budget recommendation for higher education capital assets has been overstated by \$105,326.

**SUMMARY OF THE 2001-03 BIENNIUM HIGHER EDUCATION GENERAL FUND ALLOCATIONS**

	2001-03	Permanent Funding Allocations			2001-03
	General Fund Legislative Appropriation	Equity and Special Needs Pool \1	Board Initiatives \2	Contingency and Capital Improvement \3	General Fund Adjusted Appropriation \4
University System pools	\$31,567,243	(\$3,703,000)			\$27,864,243
University System office	26,878,595		(\$298,000)	(\$100,000)	26,480,595
Bismarck State College	16,227,193	419,694			16,646,887
Lake Region State College	4,956,785	150,502			5,107,287
Williston State College	5,479,231	34,433			5,513,664
University of North Dakota	87,964,012	1,113,460	25,000		89,102,472
UND School of Medicine and Health Sciences	30,006,416	206,094			30,212,510
North Dakota State University	68,668,747	1,481,649			70,150,396
State College of Science	26,982,802		148,000		27,130,802
Dickinson State University	14,140,133	114,760			14,254,893
Mayville State University	9,055,337		125,000	60,000	9,240,337
Minot State University	26,532,386	142,371			26,674,757
Valley City State University	12,440,847			40,000	12,480,847
Minot State University - Bottineau	4,285,240	40,037			4,325,277
Forest Service	1,768,869				1,768,869
<b>Total</b>	<b>\$366,953,836</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$366,953,836</b>

	2001-03	One-Time Funding Allocations			2001-03	
	General Fund Adjusted Appropriation \4	Equity and Special Needs Pool \1	Technology Pool \5	Board Initiatives \2	Contingency and Capital Improvement \3	General Fund Total Spending Authority \6
University System pools	\$27,864,243	(\$925,824)	(\$26,938,419)			\$0
University System office	26,480,595			(\$170,000)	(\$125,000)	26,185,595
Bismarck State College	16,646,887	140,000				16,786,887
Lake Region State College	5,107,287					5,107,287
Williston State College	5,513,664	110,000			30,000	5,653,664
University of North Dakota	89,102,472	116,056	15,979,546	140,000		105,338,074
UND School of Medicine and Health Sciences	30,212,510	15,932				30,228,442
North Dakota State University	70,150,396	18,012	10,460,673			80,629,081
State College of Science	27,130,802	135,000				27,265,802
Dickinson State University	14,254,893	95,000				14,349,893
Mayville State University	9,240,337					9,240,337
Minot State University	26,674,757	137,500	498,200			27,310,457
Valley City State University	12,480,847	89,000			125,000	12,694,847
Minot State University - Bottineau	4,325,277	69,324				4,394,601
Forest Service	1,768,869					1,768,869
<b>Total</b>	<b>\$366,953,836</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$366,953,836</b>

∨1 The 2001 Legislative Assembly provided funding from the general fund of \$4,628,824 for an equity and special needs funding pool to be allocated by the State Board of Higher Education to address equity and parity funding needs and to support new initiatives or program costs consistent with the State Board of Higher Education and statewide needs. The State Board of Higher Education allocated \$3,703,000, approximately 80 percent, of the funding pool to institutions to address equity based on the University System's long-term financing plan. The remaining funding of \$925,824 was allocated by the State Board of Higher Education to institutions for specific campus initiatives and programs.

∨2 The 2001 Legislative Assembly provided \$1,370,797 from the general fund for board initiatives. Due to unexpended 1999-2001 biennium board initiative appropriation carryover authority of \$210,819, of which \$100,819 was from the general fund, the total amount of board initiative funding available for the 2001-03 biennium is \$1,581,616. The State Board of Higher Education has allocated \$1,266,310 of the funding as follows:

Permanent funding allocations

Articulation and transfer initiative - State College of Science	\$148,000
Higher Education Computer Network (HECN) help desk - University System office	200,000
Accountability surveys and report - University System office	201,500
Student Progress Achievement Research Cooperative - University System office	20,000
Arts and Humanities Summit - University of North Dakota	25,000
Statewide needs assessment - University System office	80,000
State Board of Higher Education professional development and self assessment - University System office	10,000
Other State Board of Higher Education action plan initiatives - University System office	45,000
Project Vital Link - University System office	36,810
System expertise data base - University System office	45,000
Success II initiative - Mayville State University	125,000
Subtotal - Permanent funding allocations	<u>\$936,310</u>

One-time funding allocations

Community College Consortium - Williston State College	\$30,000
System diversity initiative - University System office	50,000
Enterprise resource planning system initiative - University of North Dakota (\$140,000 from the general fund and \$110,000 from special funds)	250,000
Subtotal - One-time funding allocations	<u>\$330,000</u>

Total \$1,266,310

∨3 The 2001 Legislative Assembly provided \$344,309 from the general fund for contingencies and capital improvement emergencies. The State Board of Higher Education has allocated \$225,000 of the funding as follows:

Permanent funding allocations

Separation transition - Valley City State University	\$40,000
Separation transition - Mayville State University	60,000
Subtotal - Permanent funding allocations	<u>\$100,000</u>

One-time funding allocations

Emergency boiler repair - Valley City State University	<u>\$125,000</u>
Total	<u><u>\$225,000</u></u>

14 The 2001-03 general fund adjusted appropriation amounts reflect all "permanent" funding allocations approved by the State Board of Higher Education from the equity and special needs funding pool, board initiatives funding, and contingency and capital improvement funding appropriated to the University System by the 2001 Legislative Assembly.

15 The 2001 Legislative Assembly provided funding from the general fund of \$26,938,419 for a technology funding pool to be allocated by the State Board of Higher Education based on historic funding, the North Dakota University System information technology plan, the statewide network plan, base funding for HECN computer center operations, and base funding for Interactive Video Network (IVN) and On-line Dakota Information Network (ODIN) operations. The State Board of Higher Education allocated the technology funding pool as follows:

	<b>University of North Dakota</b>	<b>North Dakota State University</b>	<b>Minot State University</b>	<b>Total</b>
Base funding for the HECN, IVN, ODIN, and campus computer centers	\$12,473,762	\$9,752,163		\$22,225,925
Funding for Internet I, Internet II, and other network costs	600,000	600,000		1,200,000
Increased equipment lease costs	108,510	108,510		217,020
Costs associated with the implementation of the statewide information technology network	2,797,274		\$498,200	3,295,474
Total	<u>\$15,979,546</u>	<u>\$10,460,673</u>	<u>\$498,200</u>	<u>\$26,938,419</u>

16 The 2001-03 general fund total spending authority amounts reflect all funding allocations approved by the State Board of Higher Education from the equity and special needs funding pool, the technology funding pool, board initiatives funding, and contingency and capital improvements funding appropriated to the University System by the 2001 Legislative Assembly.

## INSTITUTIONS OF HIGHER EDUCATION FULL-TIME EQUIVALENT STUDENT ENROLLMENTS \1

Institution	Actual Enrollments		Projected Enrollments	
	Fall 2001	Fall 2002	Fall 2003	Fall 2004
Bismarck State College	2,320	2,384	2,425	2,450
Lake Region State College	624	640	658	673
Williston State College	579	611	600	600
University of North Dakota	9,906	10,458	10,876	11,202
North Dakota State University	9,056	9,368	9,568	9,768
State College of Science	2,106	2,112	2,200	2,300
Dickinson State University	1,637	1,818	1,854	1,891
Mayville State University	620	616	630	645
Minot State University	2,739	2,789	2,853	2,938
Valley City State University	841	864	905	950
Minot State University - Bottineau	389	447	438	425
<b>Total</b>	<b>30,817</b>	<b>32,107</b>	<b>33,007</b>	<b>33,842</b>

\1 The State Board of Higher Education adopted a new enrollment reporting policy in April 2001. The new policy, which is consistent with national Integrated Postsecondary Education Data Systems (IPEDS) reporting, provides for each higher education institution to report fall and spring semester enrollments for degree credit students based on the number of students enrolled on the 15th day of the fall and spring semesters. The information presented in this schedule reflects the enrollments for degree credit students and was provided by the University System office.

## HIGHER EDUCATION TUITION RATES \1

Institution	Academic Year			
	1999-2000	2000-01	2001-02	2002-03 \2
<b>Bismarck State College \3</b>				
Undergraduate				
Resident	\$1,592 2.6%	\$1,649 3.6%	\$1,703 3.3%	\$1,784 4.8%
Minnesota resident \4	\$2,074 3.7%	\$2,193 5.7%	\$2,435 11.0%	\$2,663 9.4%
Contiguous state/province \5	\$1,990 2.6%	\$2,061 3.6%	\$2,129 3.3%	\$2,231 4.8%
Other nonresident	\$4,251 2.6%	\$4,403 3.6%	\$4,547 3.3%	\$4,764 4.8%
<b>Dickinson State University</b>				
Undergraduate				
Resident	\$1,906 4.0%	\$1,982 4.0%	\$2,067 4.3%	\$2,202 6.5%
Minnesota resident \4	\$2,000 3.0%	\$2,120 6.0%	\$2,316 9.2%	\$2,554 10.3%
Contiguous state/province \5	\$2,383 4.1%	\$2,478 4.0%	\$2,584 4.3%	\$2,753 6.5%
Other nonresident	\$5,089 4.0%	\$5,292 4.0%	\$5,519 4.3%	\$5,879 6.5%
<b>Lake Region State College</b>				
Undergraduate				
Resident	\$1,592 2.6%	\$1,632 2.5%	\$1,682 3.1%	\$1,782 5.9%
Minnesota resident \4	\$2,074 3.7%	\$2,168 4.5%	\$2,402 10.8%	\$2,660 10.7%
Contiguous state/province \5	\$1,990 2.6%	\$2,040 2.5%	\$2,103 3.1%	\$2,228 5.9%

Other nonresident	\$4,251 2.6%	\$4,357 2.5%	\$4,491 3.1%	\$4,758 5.9%
<b>Mayville State University</b>				
Undergraduate				
Resident	\$1,906 4.0%	\$1,982 4.0%	\$2,067 4.3%	\$2,202 6.5%
Minnesota resident \4	\$2,000 3.0%	\$2,120 6.0%	\$2,316 9.2%	\$2,554 10.3%
Contiguous state/province \5	\$2,383 4.1%	\$2,478 4.0%	\$2,584 4.3%	\$2,753 6.5%
Other nonresident	\$5,089 4.0%	\$5,292 4.0%	\$5,519 4.3%	\$5,879 6.5%
<b>Minot State University</b>				
Undergraduate				
Resident	\$2,050 4.6%	\$2,144 4.6%	\$2,244 4.7%	\$2,384 \6 6.2%
Minnesota resident \4	\$2,152 3.6%	\$2,294 6.6%	\$2,514 9.6%	\$2,766 \6 10.0%
Contiguous state/province \5	\$2,563 4.6%	\$2,680 4.6%	\$2,805 4.7%	\$2,980 \6 6.2%
Other nonresident	\$5,474 4.6%	\$5,724 4.6%	\$5,991 4.7%	\$6,365 \6 6.2%
Graduate				
Resident	\$2,690 4.6%	\$2,814 4.6%	\$2,964 5.3%	\$3,154 \6 6.4%
Minnesota resident \4	\$3,188 3.8%	\$3,380 6.0%	\$3,766 11.4%	\$4,209 \6 11.8%
Contiguous state/province \5	\$4,035 4.6%	\$4,221 4.6%	\$4,446 5.3%	\$4,732 \6 6.4%
Other nonresident	\$7,182 4.6%	\$7,513 4.6%	\$7,914 5.3%	\$8,421 \6 6.4%



**Minot State University - Bottineau**

Undergraduate

Resident

\$1,592	\$1,632	\$1,682	\$1,782
2.6%	2.5%	3.1%	5.9%

Minnesota resident \4

\$2,074	\$2,168	\$2,402	\$2,660
3.7%	4.5%	10.8%	10.7%

Contiguous state \5

\$1,990	\$2,040	\$2,103	\$2,228
2.6%	2.5%	3.1%	5.9%

Contiguous province \5

\$1,990	\$2,040	\$2,103	\$1,782
2.6%	2.5%	3.1%	(15.3%)

Other nonresident

\$4,251	\$4,357	\$4,491	\$4,758
2.6%	2.5%	3.1%	5.9%

**State College of Science**

Undergraduate

Resident

\$1,592	\$1,632	\$1,682	\$1,782
2.6%	2.5%	3.1%	5.9%

Minnesota resident \4

\$2,074	\$2,168	\$2,402	\$2,660
3.7%	4.5%	10.8%	10.7%

Contiguous state/province \5

\$1,990	\$2,040	\$2,103	\$2,228 \7
2.6%	2.5%	3.1%	5.9%

Other nonresident

\$4,251	\$4,357	\$4,491	\$4,758 \7
2.6%	2.5%	3.1%	5.9%

Business and Industry Partnership Program \8

Resident

\$1,682	\$1,782
	5.9%

Minnesota resident \4

\$2,402	\$2,660
	10.7%

Contiguous state/province \5			\$1,682	\$1,782 5.9%
Other nonresident			\$1,682	\$1,782 5.9%
<b>North Dakota State University</b>				
Undergraduate				
Resident	\$2,480 5.0%	\$2,604 5.0%	\$2,754 5.8%	\$2,904 5.4%
Minnesota resident \4	\$2,596 3.4%	\$2,776 6.9%	\$3,074 10.7%	\$3,396 10.5%
Contiguous state/province \5	\$3,720 5.0%	\$3,906 5.0%	\$4,131 5.8%	\$4,356 5.4%
Other nonresident	\$6,622 5.0%	\$6,953 5.0%	\$7,353 5.8%	\$7,754 5.5%
Graduate				
Resident	\$2,690 4.6%	\$2,814 4.6%	\$2,964 5.3%	\$3,114 5.1%
Minnesota resident \4	\$3,188 3.8%	\$3,380 6.0%	\$3,766 11.4%	\$4,156 10.4%
Contiguous state/province \5	\$4,035 4.6%	\$4,221 4.6%	\$4,446 5.3%	\$4,671 5.1%
Other nonresident	\$7,182 4.6%	\$7,513 4.6%	\$7,914 5.3%	\$8,314 5.1%
<b>University of North Dakota</b>				
Undergraduate				
Resident	\$2,480 5.0%	\$2,604 5.0%	\$2,754 5.8%	\$2,954 7.3%
Minnesota resident \4	\$2,596 3.4%	\$2,776 6.9%	\$3,074 10.7%	\$3,396 10.5%

Contiguous state/province \5	\$3,720 5.0%	\$3,906 5.0%	\$4,131 5.8%	\$4,431 7.3%
Other nonresident	\$6,622 5.0%	\$6,953 5.0%	\$7,353 5.8%	\$7,887 7.3%
Graduate Resident	\$2,690 4.6%	\$2,814 4.6%	\$2,964 5.3%	\$3,179 7.3%
Minnesota resident \4	\$3,188 3.8%	\$3,380 6.0%	\$3,766 11.4%	\$4,156 10.4%
Contiguous state/province \5	\$4,035 4.6%	\$4,221 4.6%	\$4,446 5.3%	\$4,769 7.3%
Other nonresident	\$7,182 4.6%	\$7,513 4.6%	\$7,914 5.3%	\$8,488 7.3%
Law School Resident	\$2,900 4.2%	\$3,024 4.3%	\$3,174 5.0%	\$3,472 9.4%
Minnesota resident \4	\$3,188 3.8%	\$3,380 6.0%	\$3,766 11.4%	\$4,156 10.4%
Contiguous state/province \5	\$4,350 4.2%	\$4,536 4.3%	\$4,761 5.0%	\$5,208 9.4%
Other nonresident	\$7,743 4.2%	\$8,074 4.3%	\$8,475 5.0%	\$9,270 9.4%
School of Medicine and Health Sciences Resident	\$10,955 9.0%	\$11,940 9.0%	\$12,537 5.0%	\$13,447 7.3%
Minnesota resident \4	\$11,502 8.0%	\$12,776 11.1%	\$14,041 9.9%	\$15,600 11.1%

Other nonresident	\$29,249 9.0%	\$31,880 9.0%	\$33,474 5.0%	\$35,903 7.3%
Physical Therapy (students enrolled as of the 2000-01 academic year) \9				
Resident	\$4,670 2.6%	\$4,794 2.7%	\$5,070 5.8%	\$5,438 7.3%
Minnesota resident \4	\$4,670 2.6%	\$4,794 2.7%	\$5,070 5.8%	\$5,438 7.3%
Physical Therapy (students enrolled as of the 2001-02 academic year) \9				
Resident			\$5,794	\$6,215 7.3%
Minnesota resident \4			\$5,794	\$6,216 7.3%
Contiguous state/province \5			\$8,016	\$8,598 7.3%
Other nonresident			\$8,016	\$8,598 7.3%
<b>Valley City State University</b>				
Undergraduate				
Resident	\$1,906 4.0%	\$1,982 4.0%	\$2,067 4.3%	\$2,202 6.5%
Minnesota resident \4	\$2,000 3.0%	\$2,120 6.0%	\$2,316 9.2%	\$2,554 10.3%
Contiguous state/province \5	\$2,383 4.1%	\$2,478 4.0%	\$2,584 4.3%	\$2,753 6.5%
Other nonresident	\$5,089 4.0%	\$5,292 4.0%	\$5,519 4.3%	\$5,879 6.5%

**Williston State College \10**

Undergraduate

Resident	\$1,592 2.6%	\$1,632 2.5%	\$1,682 3.1%	\$1,811 7.7%
Minnesota resident \4	\$2,074 3.7%	\$2,168 4.5%	\$2,402 10.8%	\$2,699 12.4%
Contiguous state/province \5	\$1,990 2.6%	\$2,040 2.5%	\$2,103 3.1%	\$1,811 (13.9%)
Other nonresident	\$4,251 2.6%	\$4,357 2.5%	\$4,491 3.1%	\$2,717 (39.5%)

- \1 The schedule provides information regarding tuition rates for major programs offered for academic years 1999-2000 through 2002-03. 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. 1039 (2003) would continue this authority. The State Board of Higher Education has the statutory responsibility for setting tuition rates.
- \2 For the 2002-03 academic year, the State Board of Higher Education authorized each higher education institution president to set the final tuition rate for each campus within an approved range.
- \3 Bismarck State College implemented a per credit tuition model program beginning in the 2000-01 academic year. The institution charges a per credit (part-time) tuition rate for all credit hours except for the 14th and 15th credits, which are at no charge. 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.
- \4 Under the current 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.
- \5 The contiguous states and provinces are South Dakota, Montana, Saskatchewan, and Manitoba. In most cases, the contiguous state/province tuition rate is 1.5 times the resident rate for students attending the University of North Dakota, North Dakota State University, and graduate students at Minot State University, and the contiguous state/province tuition rate is 1.25 times the resident rate for undergraduate students at Minot State University and at all remaining four- and two-year institutions. Exceptions include the rate for students enrolled in the State College of Science business and industry partnership program, students enrolled in the University of North Dakota physical therapy program, and students enrolled at Minot State University - Bottineau and Williston State College for the 2002-03 academic year.
- \6 Minot State University instituted a tuition rate increase for both the fall and spring semesters of the 2002-03 academic year. The following is a summary of the fall and spring tuition cost per semester for the 2002-03 academic year:

	<b>Fall 2002</b>	<b>Spring 2003</b>
Undergraduate		
Resident	\$1,172	\$1,212
Minnesota resident	\$1,360	\$1,406
Contiguous state/province	\$1,465	\$1,515
Other nonresident	\$3,129	\$3,236
Graduate		
Resident	\$1,557	\$1,597
Minnesota resident	\$2,078	\$2,131
Contiguous state/province	\$2,336	\$2,396
Other nonresident	\$4,157	\$4,264

\7 For academic year 2002-03, the 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:

Undergraduate	
Contiguous state/province	\$1,782
Other nonresidents	\$2,673

\8 Beginning with the 2001-02 academic year, the State College of Science charges resident tuition rates to all students enrolled in business and industry partnership programs except for students from Minnesota who are assessed tuition as specified in the reciprocity agreement between North Dakota and Minnesota.

\9 Physical therapy students pay undergraduate tuition rates during the first two years. In the students' junior year, they enter their specialized program and start paying tuition based on the programs' tuition rates.

\10 Williston State College implemented a per credit tuition model program beginning in the 2002-03 academic year. The institution charges a per credit (part-time) tuition rate for all credit hours except for the 14th, 15th, and 16th credits, which are at no charge. 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.

# ELEMENTARY AND SECONDARY EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

## STATE SCHOOL AID

The 2003-05 biennium executive budget recommendation provides a general fund appropriation of \$478,056,990 for state school aid, an increase of \$4,085,342, or 1 percent, from the 2001-03 appropriation of \$473,971,648. The recommended per student payment amounts are \$2,430 during the first year of the biennium and \$2,528 for the second year, which compares to past payment levels as follows:

Fiscal Year	Per Student Payment	Increase From Prior Year	Percentage Increase From Prior Year
1997-98 (appropriation)	\$1,954	\$92	4.9%
1998-99 (appropriation)	\$2,032	\$78	4.0%
1999-2000 (appropriation)	\$2,145	\$113	5.6%
2000-01 (appropriation)	\$2,230	\$85	4.0%
2001-02 (appropriation)	\$2,287	\$57	2.6%
2002-03 (appropriation)	\$2,347	\$60	2.6%
2003-04 (recommendation)	\$2,430	\$83	3.5%
2004-05 (recommendation)	\$2,528	\$98	4.0%

## TEACHER COMPENSATION

The executive budget recommendation provides \$66,277,000 from the general fund for teacher compensation payments, an increase of \$31,241,000, or 89.2 percent, from the 2001-03 appropriation of \$35,036,000. The funding continues the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for second-year returning teachers and provides an additional \$500 per third-year returning teacher in the first year of the 2003-05 biennium and an additional \$1,000 per fourth-year returning teacher in the second year of the biennium. The teacher compensation payments are summarized as follows:

	2001-03 Legislative Appropriation		2003-05 Executive Recommendation	
	2001-02	2002-03	2003-04	2004-05
New teachers	1,000	1,000	1,000	1,000
Second-year returning teachers		3,000	3,000	3,000
Third-year returning teachers			3,500	3,500
Fourth-year returning teachers				4,500

The executive budget recommendation does not include funding for these additional teacher compensation payments for teachers at the Division of Independent Study, the School for the Deaf, North Dakota Vision Services - School for the Blind, or the Youth Correctional Center.

## SPECIAL EDUCATION

The executive budget recommendation provides \$49,898,695 from the general fund for special education grants, the same level of funding appropriated for the 2001-03 biennium. Section 4 of 2003 Senate Bill No. 2013 provides legislative intent that the special education appropriation be distributed as follows:

1. \$13 million to reimburse school districts for special education contract costs (\$335,000 more than the amount appropriated for the 2001-03 biennium).
2. \$400,000 to reimburse school districts for gifted and talented programs (no change from the amount appropriated for the 2001-03 biennium).
3. \$36,498,695 to distribute on a per student basis pursuant to North Dakota Century Code (NDCC) Section 15.1-27-10 (\$335,000 less than the amount appropriated for the 2001-03 biennium).

## TUITION FUND

The executive budget recommendation includes tuition fund distributions of \$69,495,371, an increase of \$2,256,346, or 3.4 percent, from the 2001-03 appropriation of \$67,239,025. The recommended appropriation will provide payments of approximately \$335 per census unit, an increase of \$35, or 11.7 percent, from the 2000-01 and 2002-03 appropriated payment of \$300.

## OTHER RECOMMENDATIONS

The executive budget recommendation also provides for:

1. **Revenue supplemental payments** - The executive budget recommendation includes **\$3.2 million** from the general fund for revenue supplemental payments to school districts pursuant to NDCC Section 15.1-27-11, an increase of \$1 million from the 2001-03 appropriation of \$2.2 million.
2. **Reorganization and joint powers incentives** - The executive budget recommendation includes **\$1 million** from the general fund for reorganization bonus payments (\$500,000) and state cost-sharing assistance to districts entering into joint powers agreements (\$500,000). This represents a decrease in funding of \$665,000 from the 2001-03 biennium general fund appropriation of \$1,665,000 for reorganization bonus payments.
3. **Hold harmless payments** - The executive budget recommendation includes **\$1.2 million** from the general fund for hold harmless payments to school districts. The payments will be based on what school districts would have received if teacher compensation payments for the 2003-05 biennium remained constant at \$3,000 per teacher and funding recommended for additional teacher compensation payments was used to increase state school aid per student payments.
4. **Geographic education and national board certification programs - No appropriation** is provided for the geographic education program or the national board certification program due to professional development funds being available to school districts under the No Child Left Behind Act. The 2001 Legislative Assembly provided a \$100,000 general fund appropriation for the geographic education program and a \$41,500 general fund appropriation for the national board certification program.
5. **Governor's school program** - The executive budget recommendation increases the general fund appropriation for support of the Governor's school program by **\$20,000** from \$205,000 to \$225,000.
6. **Other grants** - The executive budget recommendation increases federal funding for other grants by approximately **\$27 million**, or 18 percent, from the 2001-03 (adjusted) appropriation of \$152 million, including an increase of \$25.8 million for Title II Part A teacher and principal quality funding and \$13.8 million for IDEA Part B special education grants and a decrease of \$12.2 million for class size reduction grants.
7. **Student data base** - The executive budget recommendation includes a special fund appropriation of **\$800,000** to allow the Department of Public Instruction to collect fees or generate other revenue for continuing a student data base project relating to the No Child Left Behind Act.
8. **Employee compensation report** - The executive budget recommendation removes funding of **\$200,000** from the general fund relating to funding provided in the 2001-03 biennium for expenses associated with the development of a school district compensation report.
9. **Contingent state school aid distributions** - The executive budget recommendation provides that any state school aid funds remaining unspent at the end of the 2003-05 biennium will be distributed as follows:
  - a. The first \$1 million as reorganization bonus payments to school districts pursuant to NDCC Section 15.1-12-11.1.
  - b. The second \$1 million as declining enrollment payments based upon actual declines in enrollment from 1999-2000 to 2002-03.
  - c. Any remaining amount as additional per student payments.



**STATE SCHOOL AID, OTHER GRANTS, AND DEPARTMENT OF PUBLIC INSTRUCTION ADMINISTRATION  
COMPARISON OF 2003-05 EXECUTIVE BUDGET TO 2001-03 APPROPRIATION AND ESTIMATED EXPENDITURES**

	2001-03 Appropriation <sup>1</sup>	2001-03 Estimated Expenditures <sup>2</sup>	2003-05 Executive Budget	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Estimated Expenditures	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Appropriation
<b>State school aid</b>					
Statutory per student payments	\$522,264,541	\$521,908,813	\$534,667,340	\$12,758,527	\$12,402,799
Less mill deduct (32 mills) and excess fund balance deduct	84,942,893	84,775,142	92,460,350	7,685,208	7,517,457
General fund per student payments	\$437,321,648	\$437,133,671	\$442,206,990	\$5,073,319	\$4,885,342
Limited English proficient student payments	650,000	586,765	650,000	63,235	
Transportation payments	36,000,000	34,972,560	35,200,000	227,440	(800,000)
Total state school aid regular distributions - General fund	\$473,971,648	\$472,692,996	\$478,056,990	\$5,363,994	\$4,085,342
State school aid contingent distributions		1,278,652 <sup>3</sup>		(1,278,652)	
Total state school aid - General fund	\$473,971,648	\$473,971,648 <sup>4</sup>	\$478,056,990	\$4,085,342	\$4,085,342
<b>Other grants - General fund</b>					
Teacher compensation payments	\$35,036,000	\$34,790,970	\$66,277,000 <sup>6</sup>	\$31,486,030	\$31,241,000
Teacher compensation contingent distributions		245,030 <sup>5</sup>		(245,030)	
Special education	49,898,695	49,898,695 <sup>4</sup>	49,898,695		
Revenue supplemental payments	2,200,000	2,200,000	3,200,000	1,000,000	1,000,000
Reorganization and joint powers incentives	1,665,000	1,314,000	1,000,000 <sup>7</sup>	(314,000)	(665,000)
Hold harmless payments			1,200,000 <sup>8</sup>	1,200,000	1,200,000
Teacher center network	220,000	217,690	220,000	2,310	
School food services	1,080,000	1,080,000	1,080,000		
Adult education grants	900,000	900,000	900,000		
LEAD Consortium	215,000	212,742	215,000	2,258	
Governor's school	205,000	205,000	225,000	20,000	20,000
Geographic education	100,000	100,000		(100,000) <sup>9</sup>	(100,000)
National board certification	41,500	23,000		(23,000) <sup>9</sup>	(41,500)
FINDET	33,117	32,770	33,117	347	
Total other grants - General fund	\$91,594,312	\$91,219,897	\$124,248,812	\$33,028,915	\$32,654,500
Total state school aid and other grants - General fund	\$565,565,960	\$565,191,545	\$602,305,802	\$37,114,257	\$36,739,842
<b>Other grants - Other funds</b>					
Federal grants	\$146,527,146	\$151,956,058	\$178,989,127	\$27,033,069	\$32,461,981
State tuition fund	67,239,025	67,239,025	69,495,371	2,256,346	2,256,346
Displaced homemaker program	240,000	240,000	240,000		
Total other grants - Other funds	\$214,006,171	\$219,435,083	\$248,724,498	\$29,289,415	\$34,718,327
Total other grants - All funds	\$305,600,483	\$310,654,980	\$372,973,310	\$62,318,330	\$67,372,827
Total state school aid and other grants - All funds	\$779,572,131	\$784,626,628	\$851,030,300	\$66,403,672	\$71,458,169

	2001-03 Appropriation <sup>1</sup>	2001-03 Estimated Expenditures <sup>2</sup>	2003-05 Executive Budget	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Estimated Expenditures	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Appropriation
<b>Agency administration (excluding Division of Independent Study)</b>					
Administration (salaries, operating, equipment) - General fund	\$6,197,694	\$6,069,230	\$5,859,233	(\$209,997)	(\$338,461)
Administration (salaries, operating, equipment) - Other funds	18,767,388	18,822,226	17,256,144	(1,566,082)	(1,511,244)
Total agency administration - All funds	<u>\$24,965,082</u>	<u>\$24,891,456</u>	<u>\$23,115,377</u>	<u>(\$1,776,079)</u>	<u>(\$1,849,705)</u>
<b>Total Department of Public Instruction - All funds</b>	\$804,537,213	\$809,518,084	\$874,145,677	\$64,627,593	\$69,608,464
General fund	\$571,763,654	\$571,260,775	\$608,165,035	\$36,904,260	\$36,401,381
Other funds	232,773,559	238,257,309	265,980,642	27,723,333	33,207,083
Total	<u>\$804,537,213</u>	<u>\$809,518,084</u>	<u>\$874,145,677</u>	<u>\$64,627,593</u>	<u>\$69,608,464</u>
FTE	95.25	95.25	93.25	(2.00)	(2.00)

<sup>1</sup> 2001-03 appropriation - The 2001-03 appropriation amounts include \$125,714, of which \$43,860 is from the general fund, for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

The 2001-03 appropriation amounts do not include a reduction of \$6,003,518 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002. Pursuant to Article X, Section 24, of the Constitution of North Dakota, the portion of the budget allotment relating to state school aid and special education payments, \$5,500,639, was restored from the foundation aid stabilization fund. In addition, the 2001-03 appropriation amounts do not include additional other funds spending authority of \$5,483,750 authorized by the Emergency Commission through March 2002.

<sup>2</sup> 2001-03 estimated expenditures - The amounts shown have been adjusted to reflect:

A reduction of \$6,003,518 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002. Due to the budget allotment, the general fund support for state school aid and special education payments was reduced by \$5,500,639; however, the funding was replaced with money available in the foundation aid stabilization fund pursuant to Article X, Section 24, of the Constitution of North Dakota and is reflected as general fund expenditures on this schedule for comparative purposes. An additional \$5,483,750 of other funds spending authority for salaries and wages, operating expenses, and other grants authorized by the Emergency Commission through March 2002.

<sup>3</sup> Contingent state school aid distributions - House Bill No. 1344 (2001) provides that if any of the funds appropriated by the 2001 Legislative Assembly for per student state school aid and transportation aid remain unspent after all statutory obligations have been met, the remaining funds shall be distributed as follows:

1. The first \$2 million as payments for declining enrollment experienced during the period 1997-98 to 2000-01.
2. The second \$2 million as "hold harmless" payments to districts that receive less during the 2001-03 biennium in state aid and teacher compensation payments than they would have received if the amount appropriated for teacher compensation payments had been added to the state aid appropriation.
3. Any remaining amount as additional per student payments.

<sup>4</sup> State school aid and special education - The estimated total state school aid and special education payments for the 2001-03 biennium are \$523,870,343, of which approximately \$5,500,639 will be paid from the foundation aid stabilization fund. The general fund support for state school aid and special education payments was reduced by \$5,500,639 through the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002; however, the funding was replaced with money available in the foundation aid stabilization fund pursuant to Article X, Section 24, of the Constitution of North Dakota.

- \5 Teacher compensation contingent distributions - House Bill No. 1344 (2001) provides that any end-of-biennium undistributed balance in the teacher compensation payments appropriation will be distributed as additional per student payments.
- \6 Teacher compensation payments - The executive budget recommendation includes \$66,277,000 from the general fund for teacher compensation payments to school districts. The funding continues funding for teacher compensation payments provided by the 2001 Legislative Assembly and provides funding for an additional \$500 per teacher in the first year of the 2003-05 biennium and an additional \$1,000 per teacher in the second year of the biennium.
- \7 Reorganization and joint incentives - The executive budget recommendation includes funding of \$1 million from the general fund for reorganization bonus payments (\$500,000) and state cost-sharing assistance for school districts entering into joint powers agreements (\$500,000).
- \8 Hold harmless payments - The executive budget recommendation includes \$1,200,000 from the general fund for hold harmless payments to school districts. The payments will be based on what school districts would have received if teacher payments for the 2003-05 biennium remained constant at \$3,000 per teacher, and funding recommended for teacher payment increases was used to increase state school aid per student payments.
- \9 Geographic education and national board certification - The executive budget recommendation does not include funding for the geographic education program or national board certification because professional development funds are available for school districts under the No Child Left Behind Act.

**PER STUDENT STATE SCHOOL AID AND TUITION FUND PAYMENTS, WEIGHTED STUDENT UNITS,  
AND MILL LEVY DEDUCTS FOR THE 2001-03 AND 2003-05 BIENNIUMS**

	<b>2001-03 Appropriation</b>	<b>2001-03 Actual</b>	<b>2003-05 Executive Budget</b>
<b>First-Year Payments</b>			
Per student state school aid payments	\$2,287	\$2,287	\$2,430
Tuition fund distributions	300	310	335
	<hr/>	<hr/>	<hr/>
Total first-year payments	<u>\$2,587</u>	<u>\$2,597</u>	<u>\$2,765</u>
<b>Second-Year Payments</b>			
Per student state school aid payments	\$2,347	\$2,347	\$2,528
Tuition fund distributions	300	300 \1	335
	<hr/>	<hr/>	<hr/>
Total second-year payments	<u>\$2,647</u>	<u>\$2,647</u>	<u>\$2,863</u>
<b>Weighted Student Units</b>			
First year	113,075	113,172	108,176
Second year	110,791	110,791 \1	105,826
<b>Mill Levy Deducts</b>			
First year	32 mills	32 mills	32 mills
Second year	32 mills	32 mills	32 mills

\1 Estimated

# DEPARTMENT OF HUMAN SERVICES - SUMMARY OF KEY RECOMMENDATIONS

## DEPARTMENTWIDE

- Eliminates 202.45 FTE positions departmentwide reducing salaries and wages by \$16.4 million, \$12 million of which is from the general fund. See Department 325 - Department of Human Services on the FTE schedule under the "State Employees" section for additional information.
- Reflects the additional state matching funds required due to changes in the state's federal medical assistance percentage (FMAP). The FMAP determines the federal and state share of Medicaid expenditures. North Dakota's FMAP is decreasing from 69.87 percent in federal fiscal year 2002 to an estimated 67.47 percent in federal fiscal year 2005 requiring an estimated \$17.2 million of additional state matching funds.
- Changes the department's appropriations bill structure by reducing the number of subdivisions in the bill from four to three and appropriating one line item for the State Hospital, one line item for the Developmental Center, and one line item for each human service center rather than an operations and a capital improvements/capital assets line item for each entity.

## MANAGEMENT

- Changes the funding source to the general fund for \$871,765 of operating costs in the administration/support program that were funded from the sale of the developmental disability loan fund loans to the Bank of North Dakota during the 2001-03 biennium.

## ECONOMIC ASSISTANCE

- Increases funding for temporary assistance for needy families (TANF) benefits by \$3.9 million of federal and special funds to a total of \$29.5 million for the 2003-05 biennium.
- Projects that 48,314 individuals will be eligible for medical assistance during the 2003-05 biennium, 5,804 more than the 42,510 that were originally anticipated to be eligible for the 2001-03 biennium. The actual number of eligible individuals in November 2002 was 52,670. The executive budget recommends a number of eligibility and policy changes that are anticipated to reduce the number of eligible individuals by 3,518 in the 2003-05 biennium.
- Creates a prescription drug assistance program for senior citizens with gross incomes of up to 210 percent of the federal poverty level. Eligibility would be determined by the counties and assets are not considered when determining eligibility. Funding of \$10.3 million is provided for the 2003-05

biennium, of which \$3.4 million is from the general fund, to serve an estimated 15,850 senior citizens by the end of the 2003-05 biennium.

- Eliminates optional medical assistance services for adults, including chiropractic, dental, hospice, and private duty nursing services. Funding removed for these services totals \$8.9 million, of which \$2.8 million is from the general fund for the 2003-05 biennium.
- Increases funding for medical assistance prescription drug services by \$19.7 million, or 24.1 percent, compared to anticipated expenditures for the 2001-03 biennium. The executive budget would require the department to develop a prescription drug cost-containment program for the 2001-03 biennium consisting of a preferred drug list, prior authorization, and supplemental rebates. The executive budget has reduced funding for prescription drug costs by \$9.6 million in anticipation of savings resulting from these cost-containment strategies. Without the cost-containment program, prescription drug costs are estimated to increase by \$29.2 million, or 35.9 percent.
- Changes a number of medical assistance policies and eligibility requirements, including limiting capital costs that hospitals may charge (\$1.8 million), limiting allowable charges to the Medicaid maximum allowable charge when medical assistance is the secondary payer to Medicare (\$6.1 million), allowing individuals to apply only up to \$15 per month toward their recipient liability for previous medical charges (\$2.2 million), and determining adult family members ineligible if the primary family wage earner works more than 100 hours per month (\$12.9 million).
- Establishes a provider tax on intermediate care facilities for the mentally retarded, including the Developmental Center. The tax is estimated to cost \$1.9 million from the general fund for increased provider reimbursement rates to allow for payment of the tax but is estimated to generate \$4 million of additional federal funds.
- Replaces \$2 million from the general fund with federal funds relating to the recommendation requiring individuals with developmental disabilities to be Medicaid-eligible in order to receive developmental disability services.
- Combines funding for nursing facility care, basic care assistance, service payments for elderly and disabled (SPED), expanded SPED, and the waivers for aged and disabled and traumatic brain injury services into one line item and program allowing the department to transfer funding among these assistance programs as needed.

- Increases funding for nursing facility care by \$11.5 million, or 3.9 percent, compared to the 2001-03 biennium original appropriation. Funding from the general fund is reduced by \$10.5 million, and funding from the health care trust fund is increased by \$20 million. The executive budget anticipates inflationary increases for nursing facilities of 3.66 percent for each year of the 2003-05 biennium but reduces nursing facility payment limits for direct care costs from 99 percent to 85 percent and eliminates nursing facility incentives (which have been up to \$2.60 per day) and the 3 percent nursing facility operating margin.
- Provides \$20.6 million, of which \$12.6 million is from the general fund and \$6.9 million is from the health care trust fund for SPED and expanded SPED, an increase of \$6 million, or 41.1 percent, over the \$14.6 million appropriated for the 2001-03 biennium.
- Provides \$8.4 million for basic care assistance, \$500,000 less than the \$8.9 million appropriated for the 2001-03 biennium.

### **PROGRAM AND POLICY**

- Adds \$3.3 million, of which \$900,000 is from the general fund, for foster care services due to the privatization of the Ruth Meiers adolescent treatment center in Grand Forks and the Manchester House adolescent treatment center in Bismarck. See "HUMAN SERVICE CENTERS" section for related funding removed.
- Increases funding for subsidized adoption by \$3.3 million, of which \$1.5 million is from the general fund, to provide a total of \$8.2 million, of which \$3.3 million is from the general fund.
- Provides \$1,662,945 for the senior citizen mill levy matching grant program, the same level as the 2001-03 biennium.

### **STATE HOSPITAL**

- Provides \$400,000 of proceeds from the sale of the LaHaug Building to the Department of Corrections and Rehabilitation to remodel other State Hospital buildings for mental health and substance abuse programs previously housed in the LaHaug Building.

- Removes \$2.4 million from the general fund and 34 FTE positions due to the transfer of the State Hospital laundry and food service facilities to the Department of Corrections and Rehabilitation. The Department of Corrections and Rehabilitation budget includes 15 FTE positions as transfers from the State Hospital.
- Removes \$403,676 from the general fund for extraordinary repairs. The 2003-05 executive budget does not provide any funding for extraordinary repairs at the State Hospital.

### **DEVELOPMENTAL CENTER**

- Increases funding by \$1.7 million, of which \$528,000 is from the general fund for paying the recommended provider tax on intermediate care facilities for the mentally retarded, including the Developmental Center.
- Removes \$215,129 from the general fund for extraordinary repairs. The 2003-05 executive budget does not provide any funding for extraordinary repairs at the Developmental Center.

### **HUMAN SERVICE CENTERS**

- Provides a funding pool of \$250,000 from the general fund to be distributed to human service centers for mental health and substance abuse services based on the needs of each region.
- Replaces one-time funding of \$2.6 million appropriated for the 2001-03 biennium from human service center collections with funding from the general fund. The department's 2001-03 biennium budget included human service center income generated prior to the 2001-03 biennium and not spent as additional one-time special funds income which is not available for the 2003-05 biennium.
- Removes \$3.5 million, of which \$1.4 million is from the general fund, including 33.3 FTE positions relating to the privatization of the Ruth Meiers Adolescent Treatment Center in Grand Forks and the Manchester House Adolescent Treatment Center in Bismarck.
- Reduces or removes funding for a number of services and programs at the human service centers. See Department 325 - Department of Human Services in the "Major Program Changes" section for additional information.

## TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The 2003-05 executive budget recommendation includes funding of \$29,507,940, \$751,480 more than the 2001-03 adjusted appropriation.

The 2003-05 executive budget recommendation includes funding to serve an estimated average monthly caseload ranging from 3,136 in July 2003 to 3,251 in June 2005. The November 2002 caseload was 3,229.

The 2003-05 executive budget recommendation anticipates monthly assistance payments to average \$385 per case for the 2003-05 biennium. The average payment per case in November 2002 was \$363.

The following schedule compares the 1999-2001 and 2001-03 biennium adjusted appropriations to the 2003-05 executive budget:

	<b>1999-2001 Biennium Adjusted Appropriation</b>	<b>2001-03 Biennium Adjusted Appropriation</b>	<b>2003-05 Executive Budget Recommendation</b>	<b>2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Adjusted Appropriations</b>
<b>Temporary Assistance for Needy Families</b>				
Federal funds	\$13,506,378	\$13,614,095	\$13,341,867	(\$272,228)
General fund	5,500,000	3,950,382	3,950,382	0
Retained funds \1	4,265,877	8,300,123	8,381,435	81,312
Other funds - Child support collections	<u>2,132,070</u>	<u>2,891,860</u>	<u>3,834,256</u>	<u>942,396</u>
Total - TANF	<u><u>\$25,404,325</u></u>	<u><u>\$28,756,460</u></u> \2	<u><u>\$29,507,940</u></u>	<u><u>\$751,480</u></u>

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

\2 The 2001-03 biennium legislative appropriation of \$25,626,056 was increased by \$3,130,404, of which \$2,463,544 was federal TANF block grant funds and \$666,860 was from projected additional child support collections.

**MEDICAL SERVICES, LONG-TERM CARE SERVICES, AND HEALTHY STEPS**

**MEDICAL SERVICES FUNDING, EXCLUDING LONG-TERM CARE**

The 2003-05 executive recommendation for medical services includes a total of \$509.7 million, excluding intergovernmental transfer funds. Of this total, \$144.8 million is from the general fund.

The executive budget projects that 48,314 individuals will be eligible for the medical assistance program during the 2003-05 biennium, 5,804 more than the 42,510 that were originally projected for the 2001-03 biennium. The actual number of eligible individuals in September 2002 was 52,670. The executive budget recommends a number of eligibility and policy changes that are anticipated to reduce the number of eligible individuals by 3,518 in the 2003-05 biennium.

The schedule below summarizes medical services funding, including funding for community-based developmental disabilities services but excluding funding for nursing facility care and other long-term care services, the Healthy Steps program, and intergovernmental transfer payments.

	<b>1999-2001 Actual Expenditures</b>	<b>2001-03 Appropriation</b>	<b>2001-03 Projected Expenditures *</b>	<b>2003-05 Executive Budget</b>	<b>2003-05 Increase (Decrease) to 2001-03 Projected</b>
Federal funds	\$289,617,451	\$307,299,670	\$333,000,932	\$352,323,436	\$19,322,504
General fund	120,644,887	121,735,059	121,735,059	144,756,171	23,021,112
Estate collections	3,249,179	4,251,632	3,852,006	1,818,408	(2,033,598)
Health care trust fund		27,000	15,164,099	27,000	(15,137,099)
Community health trust fund		114,755	98,020	114,755	16,735
Other funds		6,019,610	5,297,948	10,651,637	5,353,689
<b>Total</b>	<b>\$413,511,517</b>	<b>\$439,447,726</b>	<b>\$479,148,064</b>	<b>\$509,691,407</b>	<b>\$30,543,343</b>

\*Based upon actual expenditures incurred through September 2002.

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

<b>Federal Fiscal Year</b>	<b>FMAP</b>
1998	70.43%
1999	69.94%
2000	70.42%
2001	69.99%
2002	69.87%
2003	68.36%
2004	68.31%
2005	67.47% (Estimate)

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

	<b>Actual</b>		<b>Recommended</b>	
	<b>July 2001 Inflationary Adjustment</b>	<b>July 2002 Inflationary Adjustment</b>	<b>July 2003 Inflationary Adjustment</b>	<b>July 2004 Inflationary Adjustment</b>
Inpatient hospital	2.20%	0.00%	0.00%	0.00%
Outpatient hospital	2.20%	0.00%	0.00%	0.00%
Home health	2.20%	0.00%	0.00%	0.00%
Dental services	2.20%	0.00%	0.00%	0.00%
Drugs	Undeterminable	Undeterminable	7.00%	7.00%
Physician services	2.20%	0.00%	0.00%	0.00%
Community-based DD care	2.20%	0.00%	0.00%	0.00%



The following schedule compares the 1999-2001 biennium actual expenditures and 2001-03 biennium projected expenditures for medical assistance to the 2003-05 executive budget recommendation:

	1999-2001 Actual Expenditures	2001-03 Projected Expenditures*	Percentage of Total	2003-05 Executive Budget	Percentage of Total	2003-05 Executive Budget Increase (Decrease) to 2001-03	Percentage Increase (Decrease)
Inpatient hospital	\$61,211,914	\$65,077,668	13.58%	\$61,827,764	12.13%	(\$3,249,904)	(4.99%)
Outpatient hospital	28,119,056	40,021,833	8.35%	36,276,187	7.12%	(3,745,646)	(9.36%)
Home health	5,011,615	4,633,954	0.97%	4,863,872	0.95%	229,918	4.96%
Premiums	9,318,508	10,375,121	2.17%	11,913,270	2.34%	1,538,149	14.83%
Physicians' services	38,908,730	45,950,210	9.59%	48,348,440	9.49%	2,398,230	5.22%
Healthy senior Rx (net)	0	0	0.00%	9,304,421	1.83%	9,304,421	
Drugs (net)	65,348,434	81,431,676	17.00%	101,085,239	19.83%	19,653,563	24.14%
Durable medical equipment	3,966,460	3,932,110	0.82%	4,158,833	0.82%	226,723	5.77%
Treatment services for children	4,932,269	7,473,121	1.56%	10,778,832	2.11%	3,305,711	44.23%
Rural health clinics	3,676,456	3,790,103	0.79%	3,807,872	0.75%	17,769	0.47%
Indian health services	14,814,013	17,462,557	3.64%	18,041,293	3.54%	578,736	3.31%
Community-based developmental disabilities care	151,001,171	163,693,184	34.16%	173,460,455	34.03%	9,767,271	5.97%
Chiropractic services	373,324	404,761	0.08%	77,193	0.02%	(327,568)	(80.93%)
Dental	10,662,906	11,762,179	2.45%	4,816,297	0.94%	(6,945,882)	(59.05%)
Hospice services	1,385,649	1,515,789	0.32%	0	0.00%	(1,515,789)	(100.00%)
Private duty nursing	15,963	5,636	0.00%	2,429	0.00%	(3,207)	(56.90%)
Other, excluding Healthy Steps	14,765,049	21,618,162	4.52%	20,929,010	4.10%	(689,152)	(3.19%)
<b>Total - Excluding intergovernmental transfer</b>	<b>\$413,511,517</b>	<b>\$479,148,064</b>	<b>100.00%</b>	<b>\$509,691,407</b>	<b>100.00%</b>	<b>\$30,543,343</b>	<b>6.37%</b>
Federal funds	\$289,617,451	\$333,000,932	69.50%	\$352,323,436	69.12%	\$19,322,504	5.80%
General fund	120,644,887	121,735,059	25.41%	144,756,171	28.40%	23,021,112	18.91%
Other funds	3,249,179	24,412,073	5.10%	12,611,800	2.48%	(11,800,273)	(48.34%)
<b>Total - Excluding intergovernmental transfer</b>	<b>\$413,511,517</b>	<b>\$479,148,064</b>	<b>100.01%</b>	<b>\$509,691,407</b>	<b>100.00%</b>	<b>\$30,543,343</b>	<b>6.37%</b>
Intergovernmental transfer program	\$61,464,675	\$50,298,973		\$27,495,655		(\$22,803,318)	(45.34%)
<b>Total - Including intergovernmental transfer</b>	<b>\$474,976,192</b>	<b>\$529,447,037</b>		<b>\$537,187,062</b>		<b>\$7,740,025</b>	<b>1.46%</b>
Federal funds	\$332,900,875	\$368,171,396	69.54%	\$371,136,880	69.09%	\$2,965,484	0.81%
General fund	124,263,278	136,863,568	25.85%	153,438,382	28.56%	16,574,814	12.11%
Other funds	17,812,039	24,412,073	4.61%	12,611,800	2.35%	(11,800,273)	(48.34%)
<b>Total - Including intergovernmental transfer</b>	<b>\$474,976,192</b>	<b>\$529,447,037</b>	<b>100.00%</b>	<b>\$537,187,062</b>	<b>100.00%</b>	<b>\$7,740,025</b>	<b>1.46%</b>

\*Based upon actual expenditures incurred through September 2002.

**LONG-TERM CARE SERVICES FUNDING**

The 2003-05 executive recommendation for the long-term care services totals \$348.4 million. Of this total, \$85.8 million is from the general fund.

The schedule below presents the total funding recommended for long-term care services.

	<b>1999-2001 Actual Expenditures</b>	<b>2001-03 Appropriation</b>	<b>2001-03 Projected Expenditures *</b>	<b>2003-05 Executive Budget</b>	<b>2003-05 Increase (Decrease) to 2001-03 Projected</b>
Federal funds	\$175,064,477	\$223,219,433	\$215,617,410	\$222,602,900	\$6,985,490
General fund	83,244,411	91,109,949	91,109,949	85,849,691	(5,260,258)
Health care trust fund		16,756,212	17,168,193	36,756,212	19,588,019
Other funds	10,818,410	3,083,143	3,087,011	3,226,314	139,303
<b>Total</b>	<b>\$269,127,298</b>	<b>\$334,168,737</b>	<b>\$326,982,563</b>	<b>\$348,435,117</b>	<b>\$21,452,554</b>

\*Based upon actual expenditures incurred through September 2002.

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

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

	<b>Actual</b>		<b>Recommended</b>	
	<b>July 2001 Inflationary Adjustment</b>	<b>July 2002 Inflationary Adjustment</b>	<b>July 2003 Inflationary Adjustment</b>	<b>July 2004 Inflationary Adjustment</b>
Nursing facilities	3.78%	3.70%	3.66%	3.66%
Basic care	2.80%	1.20%	1.20%	1.20%
Aged and disabled waiver	2.20%	0.00%	0.00%	0.00%
Traumatic brain injury waiver	2.20%	0.00%	0.00%	0.00%
Targeted case management	0.00%	0.00%	0.00%	0.00%

The following schedule compares the 2001-03 biennium projected expenditures for long-term care services to the 2003-05 executive budget recommendation:

	<b>1999-2001 Actual Expenditures</b>	<b>2001-03 Projected Expenditures*</b>	<b>Percentage of Total</b>	<b>2003-05 Executive Budget</b>	<b>Percentage of Total</b>	<b>2003-05 Executive Budget Increase (Decrease) to 2001-03</b>	<b>Percentage Increase (Decrease)</b>
Nursing home care	\$239,206,236	\$292,148,030	60.97%	\$306,559,827	60.15%	\$14,411,797	4.93%
Basic care assistance	7,248,416	8,737,930	1.82%	8,395,725	1.65%	(342,205)	(3.92%)
Service payments for elderly and disabled (SPI)	12,464,868	13,720,449	2.86%	18,839,037	3.70%	5,118,588	37.31%
Expanded SPED	1,337,190	1,235,676	0.26%	1,780,594	0.35%	544,918	44.10%
Aged and disabled waiver	8,011,151	8,802,386	1.84%	9,478,112	1.86%	675,726	7.68%
Traumatic brain injury waiver	859,437	1,683,868	0.35%	2,274,072	0.45%	590,204	35.05%
Targeted case management	0	654,224	0.14%	1,107,750	0.22%	453,526	69.32%
<b>Total</b>	<b>\$269,127,298</b>	<b>\$326,982,563</b>	<b>68.24%</b>	<b>\$348,435,117</b>	<b>68.38%</b>	<b>\$21,452,554</b>	<b>6.56%</b>
Federal funds	\$175,064,477	\$215,617,410	45.00%	\$222,602,900	43.67%	\$6,985,490	3.24%
General fund	83,244,411	91,109,949	19.01%	85,849,691	16.84%	(5,260,258)	(5.77%)
Other funds	10,818,410	20,255,204	4.24%	39,982,526	7.84%	19,727,322	97.39%
<b>Total</b>	<b>\$269,127,298</b>	<b>\$326,982,563</b>	<b>68.25%</b>	<b>\$348,435,117</b>	<b>68.35%</b>	<b>\$21,452,554</b>	<b>6.56%</b>

\*Based upon actual expenditures incurred through September 2002.

The following schedule compares the 2001-03 biennium original appropriations to the 2003-05 executive recommendation for individual programs:

	Federal Funds	General Fund	Health Care Trust Fund	"Retained" Funds	County Funds	Total Funds
<b>Nursing home care</b>						
2003-05 executive recommendation	\$208,273,253	\$69,149,274	\$29,137,300			\$306,559,827
2001-03 original appropriation	206,218,232	79,696,081	9,137,300			295,051,613
Increase (Decrease)	<u>\$2,055,021</u>	<u>(\$10,546,807)</u>	<u>\$20,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,508,214</u>
<b>Basic care assistance</b>						
2003-05 executive recommendation	\$5,363,506	\$365,777	\$382,080	\$2,284,362		\$8,395,725
2001-03 original appropriation	6,081,186		382,080	2,400,992		8,864,258
Increase (Decrease)	<u>(\$717,680)</u>	<u>\$365,777</u>	<u>\$0</u>	<u>(\$116,630)</u>	<u>\$0</u>	<u>(\$468,533)</u>
<b>SPED</b>						
2003-05 executive recommendation	\$225,720	\$10,773,063	\$6,898,302		\$941,952	\$18,839,037
2001-03 original appropriation		5,835,142	6,898,302		682,151	13,415,595
Increase (Decrease)	<u>\$225,720</u>	<u>\$4,937,921</u>	<u>\$0</u>	<u>\$0</u>	<u>\$259,801</u>	<u>\$5,423,442</u>
<b>Expanded SPED</b>						
2003-05 executive recommendation		\$1,780,594				\$1,780,594
2001-03 original appropriation		1,203,280				1,203,280
Increase (Decrease)	<u>\$0</u>	<u>\$577,314</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$577,314</u>
<b>Aged and disabled waiver</b>						
2003-05 executive recommendation	\$6,441,991	\$3,036,121				\$9,478,112
2001-03 original appropriation	5,953,319	2,566,086				8,519,405
Increase (Decrease)	<u>\$488,672</u>	<u>\$470,035</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$958,707</u>
<b>Traumatic brain injury waiver</b>						
2003-05 executive recommendation	\$1,545,558	\$728,514				\$2,274,072
2001-03 original appropriation	1,270,758	547,742				1,818,500
Increase (Decrease)	<u>\$274,800</u>	<u>\$180,772</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$455,572</u>
<b>Targeted case management</b>						
2003-05 executive recommendation	\$752,872	\$16,348	\$338,530			\$1,107,750
2001-03 original appropriation	769,220		338,530			1,107,750
Increase (Decrease)	<u>(\$16,348)</u>	<u>\$16,348</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total - Long-term care programs</b>						
2003-05 executive recommendation	\$222,602,900	\$85,849,691	\$36,756,212	\$2,284,362	\$941,952	\$348,435,117
2001-03 original appropriation	220,292,715	89,848,331	16,756,212	2,400,992	682,151	329,980,401
Increase (Decrease)	<u>\$2,310,185</u>	<u>(\$3,998,640)</u>	<u>\$20,000,000</u>	<u>(\$116,630)</u>	<u>\$259,801</u>	<u>\$18,454,716</u>

**HEALTHY STEPS FUNDING  
(CHILDREN'S HEALTH INSURANCE PROGRAM)**

The 2003-05 executive recommendation for the Healthy Steps program includes a total of \$9.5 million, \$2.1 million of which is from the general fund. Compared to the 2001-03 projected expenditures, the executive budget is recommending an increase of \$2.3 million, \$580,000 of which is from the general fund.

The executive budget recommends continuing eligibility requirements for the program at 140 percent of poverty based on net income and serving an average caseload of 2,563 children each month of the 2003-05 biennium. In September 2002, 2,324 children were covered by the program. The executive budget includes funding to provide an initial premium increase of 22 percent for the first year and no inflationary increase for the second year.

The schedule below compares the 2001-03 projected expenditures to the 2003-05 executive budget recommendation.

	<b>1999-2001 Expenditures</b>	<b>2001-03 Projected Expenditures*</b>	<b>2003-05 Executive Budget</b>	<b>2003-05 Executive Budget Increase (Decrease) to 2001-03</b>	<b>Percentage Increase (Decrease)</b>
Healthy Steps	<u>\$4,276,862</u>	<u>\$7,213,869</u>	<u>\$9,486,384</u>	<u>\$2,272,515</u>	23.96%
Federal funds	\$3,384,225	\$5,666,399	\$7,359,222	\$1,692,823	23.00%
General fund	892,637	1,547,470	2,127,162	579,692	27.25%
Other funds	0	0	0	0	
<b>Total</b>	<u>\$4,276,862</u>	<u>\$7,213,869</u>	<u>\$9,486,384</u>	<u>\$2,272,515</u>	23.96%

\*Based upon actual expenditures incurred through September 2002.

The schedules below represent statistical information regarding the Healthy Steps program including the federal medical assistance percentage (FMAP) for the program, North Dakota's allocation of federal funds, the average number of children enrolled each year, and premium expenditures and premium rates in effect for the majority of the year for the majority of children covered.

<b>Federal Fiscal Year Ending</b>	<b>FMAP</b>	<b>North Dakota Allocation \1</b>
September 30, 1998	79.30%	\$5,041,000
September 30, 1999	78.96%	\$5,017,000
September 30, 2000	79.29%	\$5,656,000
September 30, 2001	78.99%	\$6,576,000
September 30, 2002	78.91%	\$5,333,000
September 30, 2003	77.85%	Not Available
September 30, 2004	77.82%	Not Available
September 30, 2005 Estimate	77.23%	

\1 The federal government allows states two years to spend their federal fund allocation.

<b>State Fiscal Year Ending</b>	<b>Children Enrolled</b>	<b>Premium Expenditures</b>	<b>Premium Rates</b>	
June 30, 2000	1,168	\$1,321,417	\$108.60	
June 30, 2001	2,092	\$2,955,445	\$108.60	
June 30, 2002	2,505	\$3,823,196	\$126.40	
June 30, 2003	2,282 \1	\$3,390,673 \1	\$126.40	
June 30, 2004	2,563 \1	\$4,743,192 \1	\$154.22	Executive recommendation
June 30, 2005	2,563 \1	\$4,743,192 \1	\$154.22	Executive recommendation

\1 This amount is projected.

NOTE: The Healthy Steps program began on October 1, 1999.

## 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 2003-05 BIENNIUM AS RECOMMENDED IN THE GOVERNOR'S BUDGET COMPARED TO THE 1995-97 THROUGH 2001-03 APPROPRIATIONS

	1995-97 Biennium Appropriations	1997-99 Biennium Appropriations	1999-2001 Biennium Appropriations	2001-03 Biennium Appropriations	2003-05 Executive Budget Recommendation	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Appropriations
<b>Developmental Center at Grafton</b>						
Total appropriation (excluding capital improvements)	\$37,168,887	\$39,157,533	\$39,305,692	\$40,165,023	\$41,511,050	\$1,346,027
Less estimated income	<u>27,202,953</u>	<u>30,097,389</u>	<u>29,770,472</u>	<u>30,221,013</u>	<u>32,234,480</u>	<u>2,013,467</u>
General fund	<u>\$9,965,934</u>	<u>\$9,060,144</u>	<u>\$9,535,220</u>	<u>\$9,944,010</u>	<u>\$9,276,570</u>	<u>(\$667,440)</u>
<b>Department of Human Services</b>						
Developmental disabilities grants						
Adult day care	\$1,824,586	\$2,416,454	\$3,074,184	\$0	\$0	\$0
Developmental day activity	2,735,232	5,938,760	8,493,238	0	0	0
Prevocational work activity	4,103,532	3,202,455	9,197,052	0	0	0
Developmental work activity	4,020,791	2,929,114	172,596	0	0	0
Day supports				20,725,614	23,595,228	2,869,614
Transitional community living	6,442,711	6,885,557	8,309,606	10,210,167	9,926,069	(284,098)
Minimally supervised living	3,291,399	4,303,344	4,306,112	5,498,138	5,872,931	374,793
Supported living arrangement	1,099,535	1,095,354	1,394,782	1,362,486	1,177,856	(184,630)
Congregate care	1,992,543	2,371,042	2,905,569	2,794,924	2,777,046	(17,878)
Family subsidy	673,236	952,031	1,368,653	1,881,548	1,792,256	(89,292)
Infant development	1,088,798	1,556,877	1,723,065	1,913,403	2,264,725	351,322
Family support services - In-home support	5,392,445	3,536,083	5,508,872	4,353,602	4,523,950	170,348
Family support services - Short-term family care				390,818	358,560	(32,258)
Family support services - Family care option				737,274	2,601,006	1,863,732
Individual supervised living arrangement	29,440,906	29,821,940	36,927,119	40,214,650	39,972,820	(241,830)
Emergency services	205,008	205,584	223,528	91,105	0	(91,105)
Extended family care	753,918	1,660,413	1,165,011	1,356,506	0	(1,356,506)
Room and board	92,154	57,944	93,617	0	0	0
Specialized placements	457,104	717,078	615,695	807,135	751,030	(56,105)
Title XIX waived services	975,092	1,313,198	1,183,980	1,362,110	1,277,232	(84,878)
Extended services	4,434,439	4,901,280	4,920,410	4,456,339	4,240,092	(216,247)
Adult education transition services				270,135	124,432	(145,703)
Federal funding reimbursement option					4,167,438	4,167,438
Subtotal	<u>\$69,023,429</u>	<u>\$73,864,508</u>	<u>\$91,583,089</u>	<u>\$98,425,954</u>	<u>\$105,422,671</u>	<u>\$6,996,717</u>
Community ICF care	<u>45,615,087</u>	<u>49,439,357</u>	<u>57,339,600</u>	<u>65,700,412</u>	<u>68,037,784</u>	<u>2,337,372</u>
Total DD grants	\$114,638,516	\$123,303,865	\$148,922,689	\$164,126,366	\$173,460,455	\$9,334,089
Less estimated income	<u>73,391,157</u>	<u>78,301,998</u>	<u>99,619,970</u>	<u>110,420,996</u>	<u>117,240,926</u>	<u>6,819,930</u>
General fund - DD grants	<u>\$41,247,359</u>	<u>\$45,001,867</u>	<u>\$49,302,719</u>	<u>\$53,705,370</u>	<u>\$56,219,529</u>	<u>\$2,514,159</u>

	1995-97 Biennium Appropriations	1997-99 Biennium Appropriations	1999-2001 Biennium Appropriations	2001-03 Biennium Appropriations	2003-05 Executive Budget Recommendation	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Appropriations
Vocational rehabilitation - Supported employment						
Total	\$1,475,152	\$730,275	\$492,030	\$499,457	\$358,768	(\$140,689)
Less estimated income	<u>1,147,535</u>	<u>639,111</u>	<u>371,330</u>	<u>378,757</u>	<u>282,350</u>	<u>(96,407)</u>
General fund	<u>\$327,617</u>	<u>\$91,164</u>	<u>\$120,700</u>	<u>\$120,700</u>	<u>\$76,418</u>	<u>(\$44,282)</u>
Additional Department of Human Services DD costs						
Central office	\$3,945,634	\$5,715,493	\$5,350,954	\$5,085,208	\$4,045,543	(\$1,039,665)
Regional human service centers	<u>10,101,342</u>	<u>10,497,654</u>	<u>11,070,745</u>	<u>11,657,215</u>	<u>11,379,825</u>	<u>(277,390)</u>
Total additional DD costs	\$14,046,976	\$16,213,147	\$16,421,699	\$16,742,423	\$15,425,368	(\$1,317,055)
Less estimated income	<u>7,088,195</u>	<u>8,032,322</u>	<u>9,083,124</u>	<u>9,479,851</u>	<u>8,665,457</u>	<u>(814,394)</u>
General fund - Additional DD costs	<u>\$6,958,781</u>	<u>\$8,180,825</u>	<u>\$7,338,575</u>	<u>\$7,262,572</u>	<u>\$6,759,911</u>	<u>(\$502,661)</u>
<b>Developmentally disabled facility loan funds - Lands and minerals trust fund</b>	<u>\$1,840,956</u>	<u>\$1,840,956</u>	<u>\$1,840,956</u>	<u>\$2,261,556</u>	<u>\$2,261,556</u>	<u>\$0</u>
<b>Protection and Advocacy Project</b>						
Total	\$1,913,620	\$2,107,834	\$2,284,040	\$2,992,841	\$3,259,812	\$266,971
Less estimated income	<u>1,599,854</u>	<u>1,410,787</u>	<u>1,507,492</u>	<u>2,186,315</u>	<u>2,459,138</u>	<u>272,823</u>
General fund	<u>\$313,766</u>	<u>\$697,047</u>	<u>\$776,548</u>	<u>\$806,526</u>	<u>\$800,674</u>	<u>(\$5,852)</u>
Grand total - DD	\$171,084,107	\$183,353,610	\$209,267,106	\$226,787,666	\$236,277,009	\$9,489,343
Less grand total estimated income	<u>112,270,650</u>	<u>120,322,563</u>	<u>142,193,344</u>	<u>154,948,488</u>	<u>163,143,907</u>	<u>8,195,419</u>
Grand total - General fund - DD services	<u>\$58,813,457</u>	<u>\$63,031,047</u>	<u>\$67,073,762</u>	<u>\$71,839,178</u>	<u>\$73,133,102</u>	<u>\$1,293,924</u>

NOTE: The amounts shown for the 1995-97, 1997-99, 1999-2001, and 2001-03 bienniums are the adjusted appropriations.

**MENTAL HEALTH SERVICES  
EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2003-05 BIENNIUM  
COMPARED TO THE 1995-97 THROUGH 2001-03 BIENNIUM LEGISLATIVE APPROPRIATIONS**

	1995-97 Biennium Appropriations	1997-99 Biennium Appropriations	1999-2001 Adjusted Appropriations	2001-03 Adjusted Appropriations	2003-05 Executive Budget Recommendation	2003-05 Executive Budget Increase (Decrease) Compared to 2001-03 Adjusted Appropriations
<b>State Hospital</b>						
Operating funds	\$47,291,328	\$48,785,731	\$42,713,025	\$43,213,213	\$36,004,330	(\$7,208,883)
Capital improvements	2,326,939	2,118,079	2,133,967	1,258,778	955,540	(303,238)
<b>Total</b>	<b>\$50,903,810</b>	<b>\$44,846,992</b>	<b>\$44,846,992</b>	<b>\$44,471,991</b>	<b>\$36,959,870</b>	<b>(\$7,512,121)</b>
Less estimated income	14,065,542	17,236,092	14,364,923	13,879,532	11,525,381	(2,354,151)
General fund	\$36,838,268	\$27,610,900	\$30,482,069	\$30,592,459	\$25,434,489	(\$5,157,970)
<b>Department of Human Services</b>						
Central office - Mental health	\$8,802,582 <sup>\1</sup>	\$7,473,068	\$3,608,211	\$2,311,363	\$2,964,111	\$652,748
Human service centers - Mental health	21,331,922 <sup>\2</sup>	28,664,044 <sup>\2</sup>	32,333,850 <sup>\2</sup>	30,025,003 <sup>\2</sup>	28,691,505 <sup>\2</sup>	(1,333,498)
<b>Total</b>	<b>\$36,137,112</b>	<b>\$35,942,061</b>	<b>\$35,942,061</b>	<b>\$32,336,366</b>	<b>\$31,655,616</b>	<b>(\$680,750)</b>
Less estimated income	20,264,959	23,882,174	22,210,636	18,334,225	18,291,185	(43,040)
General fund	\$15,872,153	\$12,059,887	\$13,731,425	\$14,002,141	\$13,364,431	(\$637,710)
<b>Grand total - Mental health services</b>	<b>\$87,040,922</b>	<b>\$80,789,053</b>	<b>\$80,789,053</b>	<b>\$76,808,357</b>	<b>\$68,615,486</b>	<b>(\$8,192,871)</b>
Less grand total estimated income	34,330,501	41,118,266	36,575,559	32,213,757	29,816,566	(2,397,191)
<b>Grand total - General fund - Mental health</b>	<b>\$52,710,421</b>	<b>\$39,670,787</b>	<b>\$44,213,494</b>	<b>\$44,594,600</b>	<b>\$38,798,920</b>	<b>(\$5,795,680)</b>

<sup>\1</sup> The 1995-97 appropriations included \$8.8 million of federal funds from the mental health partnership grant for services for youth with severe emotional disturbances and the families.

<sup>\2</sup> The comparison of funding for human service centers/mental health services is as follows:

	1995-97 Biennium Appropriations	1997-99 Biennium Appropriations	1999-2001 Adjusted Appropriations	2001-03 Adjusted Appropriations	2003-05 Executive Budget Recommendation	Increase (Decrease) Compared to 2001-03 Appropriations
General fund	\$8,615,610	\$10,859,617	\$12,179,611	\$12,543,591	\$12,032,836	(\$510,755)
Other funds	12,716,312	17,804,427	20,154,239	17,481,412	16,658,669	(822,743)
<b>Total</b>	<b>\$21,331,922</b>	<b>\$28,664,044</b>	<b>\$32,333,850</b>	<b>\$30,025,003</b>	<b>\$28,691,505</b>	<b>(\$1,333,498)</b>

## CAPITAL CONSTRUCTION - SUMMARY OF KEY RECOMMENDATIONS

### CAPITAL PROJECTS

The executive recommendation includes a total of \$690,990,721 for the following capital projects:

- \$112,441,357 for major capital projects.
- \$20,474,084 for extraordinary repairs.
- \$558,075,280 for other projects (including \$438,012,365 for the Department of Transportation and \$98,168,213 for the State Water Commission).

The funding sources for major capital projects and extraordinary repairs and other projects are as follows:

	General Fund	Special Funds
Major capital projects	\$3,397,129	\$109,044,228
Extraordinary repairs and other projects	25,348,427	553,200,937
<b>Total</b>	<b>\$28,745,556</b>	<b>\$662,245,165</b>

The executive budget, in Senate Bill No. 2022, authorizes the State Water Commission to issue up to \$60 million in bonds for water and flood control projects during the 2003-05 biennium.

### STATE FACILITY ENERGY IMPROVEMENT PROGRAM

North Dakota Century Code Section 54-44.5-08 (1999 Senate Bill No. 2312) establishes the state facility energy improvement program and provides that all state agencies and institutions should, with the assistance of the Office of Management and Budget, identify capital improvements which may result in energy savings. Those capital improvement projects which are selected to be implemented are financed with the resulting savings in energy costs.

The executive recommendation includes a total of \$3,134,517 for state facility energy improvement program capital improvements. The following are the state agencies and institutions with qualifying energy-saving improvement projects and the recommended funding sources:

	General Fund	Special Funds (Bonding)
University of North Dakota		\$1,951,214
North Dakota State University		1,077,977
Department of Corrections and Rehabilitation		105,326
<b>Total</b>	<b>\$0</b>	<b>\$3,134,517</b>

### LEASE PAYMENTS

The executive recommendation includes a total of \$15,985,849 from the general fund for 2003-05 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 Human Services, Department of Corrections and Rehabilitation, Adjutant General, State Department of Health, and Job Service North Dakota.

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 2003-05 biennium is estimated to be \$17,386,400 based on projected sales, use, and motor vehicle excise tax collections included in the 2003-05 executive budget.

Please see the schedule on capital construction lease payments and outstanding principal balances for additional information.



**MAJOR NEW CAPITAL CONSTRUCTION EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2003-05 BIENNIUM  
COMPARED TO 2001-03 LEGISLATIVE APPROPRIATIONS**

Bill No.	Agency or Institution	Project	2003-05 Executive Budget Recommendations			2001-03 Legislative Appropriations		
			General Fund	Special Funds	Bonding	General Fund	Special Funds	Bonding
HB 1003	North Dakota University System (215)	General fund capital projects pool	\$2,961,629					
HB 1003	Bismarck State College (227)	Student apartment construction		\$1,785,000				
HB 1003	Lake Region State College (228)	North Hall residence hall renovation (revenue bonds)			\$375,000			
HB 1003	University of North Dakota (230)	Neuroscience research facility - Phase II		17,000,000				
		Carnegie Library renovation		3,300,000				
		Native American Center		3,500,000				
		Squires Dining Center renovation		1,500,000				
		Athletic complex		13,000,000				
		Airline security building		5,000,000				
		Airport hangar		2,000,000				
		Wellness Center renovation		8,000,000				
HB 1003	North Dakota State University (235)	Bison sports arena renovation		15,000,000				
		Bison Court apartment building (revenue bonds)			11,000,000			
HB 1003	State College of Science (238)	Student Union renovation		3,300,000				
		Blikre Activities Center		368,920				
HB 1003	Dickinson State University (239)	Whitney Stadium renovation and addition		5,000,000				
HB 1003	Mayville State University (240)	Fieldhouse renovation and addition		4,000,000				
		East Hall remodeling		150,000				
HB 1003	Forest Service (244)	Equipment and supply storage building - Towner		90,000				
		Equipment and supply storage building - Bottineau		25,000				
HB 1004	State Department of Health (301)	East laboratory remodeling		450,000	614,865			
		Morgue and storage annex			960,000			
HB 1016	Department of Corrections and Rehabilitation (530)	Water line replacement (YCC)		82,500				
		Fire suppression system - Maple Cottage (YCC)	95,500					
		LaHaug Building renovation - Women's unit (JRCC)		1,243,727				
		Food service/laundry renovations - Phase II (JRCC)			2,662,890			
		Energy improvement (MRCC)			105,326			
HB 1021	Branch research centers (628)	Dickinson headquarters office and multipurpose room building - Phase I		1,400,000				
HB 1021	NDSU Main Research Center (640)	Nestles research building		1,000,000				
		Pesticide handling facilities - Fargo and Hettinger		120,000				
SB 2020	State Historical Society (701)	Former Governor's coachhouse stabilization	25,000	225,000				
		Chimney Park repair	50,000	37,000				
		Interpretive signage	40,000					
		Fort Buford officer of the day building	225,000					
SB 2019	Game and Fish Department (720)	Bismarck shop construction - Phase II		600,000				
		Land acquisition - Hunting areas		500,000				
SB 2021	Parks and Recreation Department (750)	Relocate loop A comfort station - Devils Lake State Park		45,000	45,000			

Bill No.	Agency or Institution	Project	2003-05 Executive Budget Recommendations			2001-03 Legislative Appropriations		
			General Fund	Special Funds	Bonding	General Fund	Special Funds	Bonding
		Administration office - Turtle River State Park		350,000	350,000			
		Renovate comfort station - Beaver Lake State Park		37,500	37,500			
		Rural water connection - Lake Sakakawea State Park		125,000	125,000			
		Road repair - Lake Sakakawea State Park			60,000			
		Road repair - Fort Abraham Lincoln State Park			30,000			
		Chip and seal - Beaver Lake State Park and Devils Lake State Park			55,000			
		Maintenance shop construction - Icelandic State Park		65,000	65,000			
		Sodbuster exhibit building - Fort Ransom State Park		75,000	15,000			
		Seasonal housing - Lake Sakakawea State Park, Devils Lake State Park, Fort Ransom State Park, Beaver Lake State Park			210,000			
		Rear screen amphitheaters - Icelandic and Lake Metigoshe State Parks		45,000	45,000			
		Interpretive center addition - Cross Ranch State Park		110,000	110,000			
		Campground rewiring and regrading - Lake Sakakawea State Park		100,000	150,000			
		FEMA construction projects - Turtle River State Park		500,000				
		Campground expansion - Fort Stevenson State Park			140,000			
		Lewis and Clark contingency			40,000			
HB 1012	Department of Transportation (801)	District section buildings and expansions		1,719,000				
Total 2003-05 executive budget recommendation			<u>\$3,397,129</u> <sup>1</sup>	<u>\$91,848,647</u> <sup>1</sup>	<u>\$17,195,581</u> <sup>1</sup>			
Total 2001-03 legislative appropriations						<u>\$5,747,696</u> <sup>2</sup>	<u>\$66,124,480</u> <sup>2</sup>	<u>\$30,352,000</u> <sup>2</sup>

<sup>1</sup> The executive budget recommendation also includes \$558,075,280 for other projects consisting of:  
\$438,012,365 for highway projects (all from other funds).  
\$98,168,213 for water projects (\$38,168,213 from other funds, \$60 million from bonding).  
\$17,919,723 for bond payments (\$15,906,226 from the general fund, \$2,013,497 from other funds).  
\$3,974,979 for other projects and payments (\$94,987 from the general fund, \$3,879,992 from other funds).

<sup>2</sup> Represents the total appropriation for major new capital construction provided by the 2001 Legislative Assembly. Please refer to the Legislative Council's "Analysis of 57th Legislative Assembly's Changes to Recommended Appropriations for the 2001-03 Biennium" for details regarding the 2001-03 appropriations. The 2001 Legislative Assembly provided for \$12,852,000 of bonding and authorized the State Board of Higher Education to issue \$17.5 million of revenue bonds.

**EXTRAORDINARY REPAIRS EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2003-05 BIENNIUM**

The executive budget recommendation also includes \$20,474,084 for extraordinary repairs.

Agency or Institution	<b>2003-05 Executive Budget Recommendations</b>		
	<b>General Fund</b>	<b>Special Funds</b>	<b>Total</b>
Office of Management and Budget (110)			
Capitol cooling tower	\$268,000		\$268,000
Parking lot, curb, and sidewalk repairs	160,000		160,000
Other projects	235,000		235,000
Total Office of Management and Budget	<u>\$663,000</u>		<u>\$663,000</u>
North Dakota University System office (215)			
Campus extraordinary repairs	\$6,932,186		\$6,932,186
Campus energy improvement projects		\$3,134,517	3,134,517 *
Total North Dakota University System office	<u>\$6,932,186</u>	<u>\$3,134,517</u>	<u>\$10,066,703 *</u>
Forest Service (244)			
Office repairs and improvements	\$29,861		\$29,861
Other projects	1,200		1,200
Total Forest Service	<u>\$31,061</u>		<u>\$31,061</u>
School for the Deaf (252)			
Parking lot	\$29,923	\$2,800	\$32,723
School for the Blind (253)			
New storage area		\$7,733	\$7,733
State Department of Health (301)			
Chemical lab and municipal facilities building improvements		\$86,040	\$86,040
Department of Human Services (325)			
Building remodeling projects associated with the Department of Corrections and Rehabilitation's purchase of the LaHaug Building for use as a women's prison		\$400,000	\$400,000
Aeronautics Commission (412)			
International Peace Garden airport		\$110,000	\$110,000
Highway Patrol (504)			
Building refurbishing projects at the Law Enforcement Training Academy	\$19,000	\$6,000	\$25,000
Department of Corrections and Rehabilitation (530)			
Factory upgrade at Roughrider Industries		\$250,000	\$250,000
Maintenance and repairs at various facilities	\$407,000		407,000
Total Department of Corrections and Rehabilitation	<u>\$407,000</u>	<u>\$250,000</u>	<u>\$657,000</u>
Adjutant General (540)			
Miscellaneous repairs		\$2,619,636	\$2,619,636
State Seed Department (616)			
Miscellaneous building repairs and maintenance		\$50,000	\$50,000
Agricultural Experiment Station			
General repairs and maintenance	\$377,300		\$377,300
Greenhouse repairs	20,000		20,000
Other projects	18,000		18,000
Total Agricultural Experiment Station	<u>\$415,300</u>		<u>\$415,300</u>

Agency or Institution	2003-05 Executive Budget Recommendations		
	General Fund	Special Funds	Total
State Historical Society (701)			
Repairs at various historical sites	\$179,200		\$179,200
Game and Fish Department (720)			
Fishing area projects - Dam repair, ramps, parking lots, miscellaneous		\$460,000	\$460,000
Other repairs and small projects at various sites		519,944	519,944
Total Game and Fish Department		<u>\$979,944</u>	<u>\$979,944</u>
Parks and Recreation Department (750)			
Repairs at state parks	\$670,544	\$42,000	\$712,544
Department of Transportation (801)			
Asbestos abatement and lighting retrofit project in the State Highway Building		\$3,175,000	\$3,175,000
Other projects		263,200	263,200
Total Department of Transportation		<u>\$3,438,200</u>	<u>\$3,438,200</u>
Total 2003-05 executive budget recommendation - Extraordinary repairs	<u>\$9,347,214</u>	<u>\$11,126,870</u>	<u>\$20,474,084</u>

\* The executive budget recommendation for campus energy improvement projects includes funding for projects at North Dakota State University (\$1,077,977) and the University of North Dakota (\$1,951,214), and inadvertently includes funding of \$105,326 for an energy improvement project at the Department of Corrections and Rehabilitation. Therefore, the executive budget recommendation for higher education extraordinary repairs is overstated by \$105,326.

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

Project	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2001	Outstanding Principal Balance June 30, 2003	Outstanding Principal Balance June 30, 2005
			1999-2001 Actual Payments	2001-03 Estimated Payments	2003-05 Estimated Payments			
2003 Series A refunding revenue bonds - Used to refund 1993 Series A refunding revenue bonds which were used to refinance 1990 Series A, B, and C The 1990 Series A issue was originally used to fund: North Dakota State University computer center (\$5,375,000) University of North Dakota United Hospital north unit (\$1,720,000) State College of Science agricultural mechanics building (\$2,916,000) University of North Dakota Abbott Hall addition (\$3,300,000) Minot State University library (\$7,728,000) State Board of Higher Education selected handicapped access projects (\$1,600,000) The 1990 Series B issue was originally used to fund State Penitentiary Phase III construction (\$5,000,000) The 1990 Series C issue was originally used to fund Veterans Home construction and remodeling (\$1,169,000)	2003 Series A North Dakota Building Authority refunding revenue bonds (2.35% to 4.07% - 7-year bonds)	\$15,145,000 <sup>1</sup>	\$5,826,234	\$6,027,074	\$5,479,013	\$21,120,000	\$15,145,000	\$11,305,000

North Dakota University System - Various capital construction projects, including handicapped accessibility projects and special assessments (\$8,423,061)	2002 Series C lease revenue refunding bonds used to refund 1993 Series B North Dakota Building Authority revenue bonds (3% to 4.3% - 12-year bonds)	13,333,061 <sup>2</sup>	10,665,000	2,452,079	2,354,543	2,067,370	12,095,000	10,665,000	9,350,000
Minot State University - Memorial Library renovation (\$2,550,000)									
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)									
Bismarck State College Science and Mathematics Center (\$8,060,000)	2002 Series D lease revenue refunding bonds used to refund 1995 Series A North Dakota Building Authority revenue bonds (3% to 4.5% - 15-year bonds)	15,326,769 <sup>3</sup>	16,425,000	2,826,980	1,787,951	2,875,763	15,865,000	15,480,000	13,890,000
University of North Dakota Abbott Hall renovations (\$2,371,769)									
North Dakota State University emission control renovations on power plant (\$2,145,000)									
Dickinson State University Klinefelter Hall renovations (\$2,750,000)									
State College of Science - Bute Gym remodeling (\$1,700,000)	1998 Series A North Dakota Building Authority revenue bonds (4.4% to 5.125% - 20-year bonds)	7,100,000 <sup>4</sup>	8,360,000	1,065,262	1,260,893	1,320,063	7,830,000	7,255,000	6,625,000
Minot State University - Moore Hall renovation (\$4,000,000)									
Department of Corrections and Rehabilitation - Youth Correctional Center gymnasium renovation (\$1,400,000)									
1998 Series B refunding revenue bonds - Used to refinance 1991 Series A and 1992 Series A The 1991 Series A issue was used to refund the 1986 Series A which was originally used to fund: Developmental Center	1998 Series B North Dakota Building Authority refunding revenue bonds (4.5% to 5% - 13-year bonds)		11,340,000	2,433,659	3,063,265	2,960,800	11,255,000	9,090,000	6,880,000

renovations (\$3,900,000) State Penitentiary Phase II construction (\$7,500,000) State Hospital renovations (\$3,400,000)										
The 1992 Series A issue was originally used to fund the Department of Human Services - Southeast Human Service Center (\$2,475,000)										
University of North Dakota - Renovation and addition to the Ed James Wing of the medical school building (\$3,000,000)	1998 Series C North Dakota Building Authority revenue bonds (3.2% to 4.35% - 10-year bonds)	3,000,000 <sup>5</sup>	3,400,000	748,017	701,902	780,460	2,870,000	2,300,000	1,685,000	
North Dakota State University - Animal facility (\$2,207,500) Youth Correctional Center - Pine Cottage (\$1,475,000)	2000 Series A North Dakota Building Authority revenue bonds (5.5% - 20-year bonds)	3,682,500 <sup>6</sup>	4,430,000		525,785	735,704	4,430,000	4,145,000	3,835,000	
Williston State College - Health and Wellness Center (\$3,000,000) Minot State University - Old Main renovation (\$7,850,000)	2001 Series A North Dakota Building Authority revenue bonds (4% - 5.125% - 20-year bonds)	10,850,000 <sup>7</sup>	13,165,000		455,367	1,546,756	13,165,000	12,950,000	12,505,000	
State Department of Health - Laboratory addition (\$2,700,000)	2002 Series A North Dakota Building Authority	5,002,000 <sup>8</sup>	6,035,000			697,938		6,035,000	5,920,000	

Job Service North Dakota - Bismarck service delivery office (\$2,302,000)	revenue bonds (4% - 5.125% - 20-year bonds)								
2003-05 executive budget recommended bonding	2003 Series B North Dakota	4,237,755	5,285,000					5,285,000	
State Department of Health East laboratory remodeling (\$614,865)	Building Authority revenue bonds (4.86% 20-year								
Morgue and storage annex (\$960,000)	bonds)								
Department of Corrections and Rehabilitation									
Food service/laundry renovations - Phase II (JRCC) (\$2,662,890)									
(see previous schedule on major capital construction projects)									
Total		<u>\$62,532,085</u>	<u>\$94,250,000</u>	<u>\$15,352,231</u>	<u>\$16,176,780</u>	<u>\$18,463,867</u>	<u>\$88,630,000</u>	<u>\$83,065,000</u>	<u>\$77,280,000</u>
Breakdown of payments:									
General fund				\$13,488,831 <sup>10</sup>	\$14,056,400 <sup>10</sup>	\$15,985,849 <sup>10</sup>			
Agency contributions				1,863,400	2,120,380	2,478,018			
Total				<u>\$15,352,231</u>	<u>\$16,176,780</u>	<u>\$18,463,867</u>			



<sup>1</sup> House Bill No. 1037 (1989) included a section stating that it was the intent of the Legislative Assembly that up to a total of \$4.4 million from non-general fund sources be used to assist in the retirement of debt incurred to finance the construction projects. The non-general fund sources will be the college development foundation at the University of North Dakota, North Dakota State University, and State College of Science and an additional student fee at Minot State University. A listing of the \$4.4 million by each institution is as follows:

<b>Institution</b>	<b>Type of Facility</b>	<b>Total Contributions</b>	<b>Estimated Contributions Made Through the 2001-03 Biennium</b>	<b>Remaining Contributions</b>	
North Dakota State University	Computer technology transfer center	\$1,343,000	\$1,176,875	\$166,125	(Biennial contributions are \$55,375)
North Dakota State College of Science	Agricultural mechanics technology facility	300,000	206,250	93,750	(Biennial contributions are \$31,250)
University of North Dakota	Abbott Hall addition	825,000	740,625	84,375	(Biennial contributions are \$28,125)
Minot State University	Library facility	1,932,000	1,338,750	593,250	(Biennial contributions are \$197,750)
<b>Total</b>		<b>\$4,400,000</b>	<b>\$3,462,500</b>	<b>\$937,500</b>	

In addition to the \$5,375,000 appropriated from bond proceeds for the North Dakota State University computer center, House Bill No. 1037 also appropriated \$5,375,000 from federal or other funds. The amount appropriated for the project was \$10,750,000.

House Bill No. 1669 (1989) appropriated up to \$6.2 million for State Penitentiary Phase III construction from loan notes less the insurance proceeds received in the Penitentiary's fire loss of \$1.2 million. Senate Bill No. 2096 (1989) authorized the issuance of bonds in the amount of \$1,169,000 to match federal funds available to construct, modify, or alter the facilities at the Veterans Home. Bond payments to be made from the Veterans Home improvement fund.

<sup>2</sup> House Bill No. 1020 (1993) included a section stating that 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 institution is as follows:

<b>Institution/Agency</b>	<b>Type of Facility</b>	<b>Total Contributions</b>	<b>Estimated Contributions Made Through the 2001-03 Biennium</b>	<b>Remaining Contributions</b>	
Minot State University	Library renovation	\$255,000	\$255,000	\$0	(Biennial contributions were \$42,500)
Job Service North Dakota	Grand Forks office building	1,735,000			
<b>Total</b>		<b>\$1,990,000</b>	<b>\$255,000</b>	<b>\$0</b>	

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 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.

<sup>3</sup> Senate Bill No. 2030 (1995) included a section stating that up to a total of \$2,206,769 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 \$2,206,769 by each institution is as follows:

<b>Institution</b>	<b>Type of Facility</b>	<b>Total Contributions</b>	<b>Estimated Contributions Made Through the 2001-03 Biennium</b>	<b>Remaining Contributions</b>	
Bismarck State College	Science and Mathematics Center	\$1,060,000	\$1,060,000	\$0	(Biennial contributions were \$353,300)
University of North Dakota	Abbott Hall renovation	871,769	871,769	0	(Biennial contributions were \$290,500)
Dickinson State University	Klinefelter Hall renovation	275,000	275,000	0	(Biennial contributions were \$91,669)
<b>Total</b>		<b>\$2,206,769</b>	<b>\$2,206,769</b>	<b>\$0</b>	

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

<sup>4</sup> Senate Bill No. 2003 (1997) included a section stating that up to a total of \$300,000 from non-general fund sources is to be used to assist in the retirement of the debt incurred to finance the renovation of the Bute Gym. The bill also authorized an animal research facility at North Dakota State University and a renovation to the Ed James Wing of the medical school building at the University of North Dakota. The North Dakota State University project was delayed until the 1999 legislative session. The University of North Dakota project was handled through a separate bond issue (see 1998 Series C bond issue).

<b>Institution</b>	<b>Type of Facility</b>	<b>Total Contributions</b>	<b>Estimated Contributions Made Through the 2001-03 Biennium</b>	<b>Remaining Contributions</b>
State College of Science	Bute Gym renovation	\$300,000	\$200,000	\$100,000

(Biennial contributions are \$100,000)

<sup>5</sup> In addition to the \$3 million appropriated from bond proceeds for the University of North Dakota renovation to the Ed James Wing of the medical school building, Senate Bill No. 2003 also appropriated available funds received from federal, public, or private sources.

<sup>6</sup> House Bill No. 1022 (1999) authorized an animal research facility at North Dakota State University, renovation of Pine Cottage at the Youth Correctional Center, and a health and wellness center 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 North Dakota State University animal research facility, House Bill No. 1022 also appropriated \$2,207,500 of federal or other funds. The 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 amount appropriated for the Pine Cottage project was \$1,975,000.

<sup>7</sup> House Bill No. 1022 (1999) included a section stating that up to a total of \$3 million from non-general fund sources is to be used to assist in the retirement of the debt incurred to finance the Health 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 is to be available prior to construction, the Building Authority will only bond for \$3 million of the \$4.5 million project. Williston State College will have paid \$300,000 at the end of the 2001-03 biennium, with \$1,200,000 remaining.

Senate Bill No. 2023 (2001) included a section stating that \$2,299,000 must be available from non-general fund sources to assist in the retirement of the debt incurred to finance the renovation of Minot State University's local responsibility is to be paid in 10 annual payments with each of the first two annual payments being \$315,000 and each of the remaining eight annual payments being \$215,000.

<sup>8</sup> Senate Bill No. 2023 (2001) included a section stating that \$2,302,000 (Job Service North Dakota) and \$1,755,000 (State Department of Health) must be available from non-general 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 expend federal funds in the amount of \$823,878 in the capital improvements line item for the laundromat 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.

<sup>9</sup> The estimated 2005-07 biennium payment on this proposed bond issue, based on an estimated interest rate of 4.86 percent, is approximately \$873,261, all from the general fund. This does not include the recommended \$20 million of bonding for the Information Technology Department for ConnectND or the \$1.48 million for the Parks and Recreation Department for projects at various state parks. The executive budget anticipates these bonds will be repaid from charges collected by the Information Technology Department from higher education and other state agencies for the ConnectND program and from state park revenues for the park improvement project. The bond issuance also does not include funding for the recommended 2003-05 biennium state facility energy improvement program capital projects recommended in the executive budget to be funded with bond proceeds. Bonds sold to finance projects under this program do not factor in the general fund lease payment limitation and will be repaid with resulting energy cost-savings.

<sup>10</sup> North Dakota Century Code Section 54-17.2-21 provided that 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 1993 Legislative Assembly repealed the provisions of the capital construction fund and increased the maximum that lease payments can total for a biennium from 10 percent to 12.5 percent of the equivalent of a 1 percent sales, use, and motor vehicle excise tax. The 1995 Legislative Assembly 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 1997 Legislative Assembly 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.

**SALES TAX LIMITATION - BOND PAYMENTS**

The following table shows the projected general fund portion of the bond payments for the 2003-05 through the 2011-13 bienniums and what the 10 percent of the equivalent of a 1 percent sales, use, motor vehicle excise tax is projected to generate (using the July 2002 revenue forecast with a 4 percent growth in sales tax revenues for future bienniums and no prepayments of non-general fund amounts):

<b>Biennium</b>	<b>Total Payments</b>	<b>Other Funds</b>	<b>General Fund</b>	<b>10 Percent of Equivalent of 1 Percent</b>	<b>Estimated Excess General Fund Resources Available for Bond Payments</b>
2003-05	\$18,463,867	\$2,478,018	\$15,985,849	\$17,386,400	\$1,400,551
2005-07	\$19,922,101 *	\$2,398,625	\$17,523,476	\$18,081,877	\$558,401
2007-09	\$20,136,160 *	\$2,391,645	\$17,744,515	\$18,805,152	\$1,060,637
2009-11	\$13,333,307 *	\$1,813,072	\$11,520,235	\$19,557,358	\$8,037,123
2011-13	\$11,436,911 *	\$1,509,533	\$9,927,378	\$20,339,652	\$10,412,274

\* The future biennium bond payments reflect estimated payments related to the bonding recommended in the 2003-05 biennium executive budget but do not reflect any other future bond issues that authorized by future Legislative Assemblies.

# STATE EMPLOYEES - SUMMARY OF KEY RECOMMENDATIONS

## SALARY INCREASE

The executive budget recommendation provides funding for state employee salary increases equal to 1 percent of salaries effective January 1, 2004, and 2 percent effective January 1, 2005. Specific language regarding the salary increases is included in Section 4 of Senate Bill No. 2015, the appropriations bill for the Office of Management and Budget.

## SPECIAL MARKET EQUITY ADJUSTMENTS

The 2001-03 legislative appropriations included a \$5 million statewide compensation plan line item in House Bill No. 1015, the appropriations bill for the Office of Management and Budget, to be used for market equity compensation adjustments for classified state employees. Of the \$5 million, \$2.7 million was from the general fund and \$2.3 million from special funds.

The 2003-05 executive recommendation does not include funding for a market equity adjustment funding pool.

## HIGHER EDUCATION

The executive budget recommendation authorizes the State Board of Higher Education to adjust full-time equivalent positions as needed, subject to the availability of funds, for institutions under its control. The State Board of Higher Education is to report any adjustments to the Office of Management and Budget prior to the submission of the 2005-07 budget request.

The executive budget recommendation does not provide higher education institutions specific funding for salary or health insurance increases. The increases are to be provided from the funding recommended in the total for the University System.

## ELECTED AND APPOINTED OFFICIALS

The executive budget recommendation provides funding for elected officials salary increases equal to 1 percent of salaries effective January 1, 2004, and 2 percent effective January 1, 2005, which is the same level as provided for other state employees. The executive budget recommendation includes a July 1, 2003, 2 percent reduction in the salary of the Governor and Lieutenant Governor.

## JUDICIAL BRANCH

The judicial branch budget request includes funding to provide district court judges' salary increases of approximately 3 percent for the first year of the biennium and 3 percent for the second year of the biennium. Salary increases for Supreme Court judges are 3 percent the first year of the biennium and

2 percent the second year of the biennium. 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 January 1, 2004, and 2 percent of salaries effective January 1, 2005, as explained in the 'SALARY INCREASE' section.

## HEALTH INSURANCE

The executive budget recommendation continues funding for the cost of health insurance premiums for state employees. The executive budget provides \$493 per month for employee health insurance (an increase of \$84 compared to the 2001-03 premium). A recent history of monthly health insurance premiums provided for each employee is listed below:

1995-97	\$265
1997-99	\$301
1999-2001	\$350
2001-03	\$409
2003-05 executive recommendation	\$493

## TOTAL COMPENSATION CHANGES COST

The schedule below provides the total cost of major compensation changes recommended in the 2003-05 executive budget. The executive budget recommendation does not provide higher education institutions specific funding for salary or health insurance increases.

	General Fund	Special Funds	Total
Salary increase - 1% January 2004 and 2% January 2005	\$4,228,271	\$4,231,830	\$8,460,101
Health insurance increase	8,474,665	8,704,762	17,179,427
Equity adjustment - Attorney General's office for assistant attorneys general		200,000	200,000
Equity adjustment - Public Employees Retirement System		80,362	80,362
Equity adjustment - Department of Human Services Program and Policy Division		131,784	131,784
Equity adjustment - Department of Financial Institutions		167,000	167,000

Equity adjustment - Department of Corrections and Rehabilitation - Juvenile Services Division	99,856		99,856
Total	\$12,802,792	\$13,515,738	\$26,318,530

### FTE POSITIONS

The executive budget recommendation for the 2003-05 biennium includes a total of 10,829.59 FTE positions, 831.58 FTE positions fewer than the 2001-03 authorized level. This includes a reduction of 688.17 higher education FTE

positions to reflect agency reductions and to report only the number of FTE positions funded from the general fund. The net decrease, excluding the higher education positions, is 143.41 FTE positions. The recommendation includes the addition of 176 new FTE positions and the deletion of 319.41 FTE positions. The cost of the 176 new FTE positions totals \$14,198,430 for the 2003-05 biennium, including salary and health insurance increases. Of this amount, \$7,236,351 is from the general fund. Funding reductions relating to the 319.41 deleted positions totals \$27,291,565 for the 2003-05 biennium, including salary and health insurance increases. Of this amount, \$18,185,171 is from the general fund.

**ANALYSIS OF NEW FULL-TIME EQUIVALENT (FTE) POSITIONS OR REDUCTIONS IN EXISTING FTE POSITIONS  
RECOMMENDED IN THE 2003-05 EXECUTIVE BUDGET**

2001-03 FTE Positions	Executive Recommendation 2003-05 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Deleted by Executive Budget Due to New or Deleted Positions			2003-05 FTE Positions in Agency Budget Request \1
				General Fund	Special Funds	Total	
18.00	16.30	(1.70)	<b>GENERAL GOVERNMENT</b>				
			<b>101 - Governor's Office</b>				16.30
			Deletes:				
			(1.00) FTE policy advisor	(\$132,705)		(\$132,705)	
			(0.50) FTE administrative position	(36,591)		(36,591)	
			(0.20) FTE administrative position	(10,992)		(10,992)	
			<u>(1.70)</u>	<u>(\$180,288)</u>		<u>(\$180,288)</u>	
26.00	26.00	0.00	<b>108 - Secretary of State</b>				26.00
163.00	162.00	(1.00)	<b>110 - Office of Management and Budget</b>				162.00
			Deletes:				
			<u>(1.00)</u> FTE business manager I (State Radio)		<u>(\$131,005)</u>	<u>(\$131,005)</u>	
244.70	248.20	3.50	<b>112 - Information Technology Department</b>				245.70
			Adds:				
			1.00 FTE appointed position - Educational Technology Council director	\$200,242		\$200,242	
			1.00 FTE teacher I		\$82,182	82,182	
			1.00 FTE teacher I		82,182	82,182	
			0.50 FTE custodian		30,596	30,596	
			<u>3.50</u>	<u>\$200,242</u>	<u>\$194,960</u>	<u>\$395,202</u>	
55.00	52.00	(3.00)	<b>117 - State Auditor</b>				55.00
			Deletes:				
			(1.00) FTE auditor IV	(\$111,350)		(\$111,350)	
			(1.00) FTE auditor III	(101,419)		(101,419)	
			(1.00) FTE auditor II	(85,386)		(85,386)	
			<u>(3.00)</u>	<u>(\$298,155)</u>		<u>(\$298,155)</u>	
6.00	6.00	0.00	<b>120 - State Treasurer</b>				6.00
160.50	171.00	10.50	<b>125 - Attorney General</b>				169.00
			Adds:				
			1.00 FTE criminal investigator III	\$91,401		\$91,401	
			1.00 FTE crime lab position	77,824		77,824	
			Transfers:				
			14.50 FTE crime lab positions from the State Department of Health	975,280	\$318,414	1,293,694	
			Deletes:				
			(1.00) FTE administrative assistant I	(61,707)		(61,707)	
			(1.00) FTE administrative assistant II	(38,968)		(38,968)	
			(1.00) FTE public information specialist II	(54,881)		(54,881)	
			(1.00) FTE training officer III	(116,572)		(116,572)	
			(1.00) FTE training officer III	(103,547)		(103,547)	
			(1.00) FTE criminal investigator II		(90,432)	(90,432)	
			<u>10.50</u>	<u>\$768,830</u>	<u>\$227,982</u>	<u>\$996,812</u>	

143.00	137.00	(6.00)	<b>127 - Tax Department</b>				136.00
			Deletes:				
			(1.00)FTE compliance officer II (Sales and Special Tax Division)	(\$82,535)		(\$82,535)	
			(1.00)FTE income tax director (Income Tax Division)	(118,347)		(118,347)	
			(1.00)FTE audit technician (Income Tax Division)	(60,204)		(60,204)	
			(1.00)FTE document specialist I (Operations Division)	(51,859)		(51,859)	
			(1.00)FTE data input operator II (Operations Division)	(48,245)		(48,245)	
			(1.00)FTE information system administrator I (Operations Division)	(146,184)		(146,184)	
			<u>(6.00)</u>	<u>(\$507,374)</u>		<u>(\$507,374)</u>	
6.00	8.00	2.00	<b>140 - Office of Administrative Hearings</b>				8.00
			Adds:				
			<u>2.00 FTE administrative law judges</u>		<u>\$261,104</u>	<u>\$261,104</u>	
33.00	33.00	0.00	<b>160 - Legislative Council</b>				33.00
336.00	336.00	0.00	<b>180 - Judicial Branch</b>				336.00
18.00	17.00	(1.00)	<b>190 - Retirement and Investment Office</b>				17.00
			Deletes:				
			<u>(1.00)FTE administrative assistant I</u>		<u>(\$28,809)</u>	<u>(\$28,809)</u>	
27.00	29.00	2.00	<b>192 - Public Employees Retirement System</b>				27.00
			Adds:				
			1.00 FTE data processing coordinator III	\$20,707		\$20,707	
			1.00 FTE auditor II	45,526		45,526	
			<u>2.00</u>	<u>\$66,233</u>		<u>\$66,233</u>	
<u>1,236.20</u>	<u>1,241.50</u>	<u>5.30</u>	<b>TOTAL GENERAL GOVERNMENT</b>	<u>(\$16,745)</u>	<u>\$590,465</u>	<u>\$573,720</u>	<u>1,237.00</u>
			<b>OTHER EDUCATION</b>				
95.25	93.25	(2.00)	<b>201 - Department of Public Instruction</b>				93.25
			Deletes:				
			(1.00)FTE administrative staff officer I	(\$108,586)		(\$108,586)	
			(1.00)FTE Native American education program director	(110,367)		(110,367)	
			<u>(2.00)</u>	<u>(\$218,953)</u>		<u>(\$218,953)</u>	
18.50	17.75	(0.75)	<b>226 - Land Department</b>				17.75
			Deletes:				
			<u>(0.75)FTE administrative secretary III</u>		<u>(\$62,701)</u>	<u>(\$62,701)</u>	
17.97	17.97	0.00	<b>244 - Forest Service</b>				16.97
28.75	28.75	0.00	<b>250 - State Library</b>				28.75
53.10	51.85	(1.25)	<b>252 - School for the Deaf</b>				51.85
			Deletes:				
			(0.50)FTE cook	(\$31,530)		(\$31,530)	
			(0.75)FTE faculty - Not classified	(69,274)		(69,274)	
			<u>(1.25)</u>	<u>(\$100,804)</u>		<u>(\$100,804)</u>	
29.00	27.00	(2.00)	<b>253 - North Dakota Vision Services - School for the Blind</b>				27.00
			Deletes:				





			<u>(109.03)</u> FTE to transfer positions to the North Dakota University System office					
47.44	0.00	(47.44)	<b>243 - Minot State University - Bottineau</b>					36.08
			Deletes:					
			<u>(47.44)</u> FTE to transfer positions to the North Dakota University System office					
<u>3,070.58</u>	<u>2,382.41</u>	<u>(688.17)</u>	<b>TOTAL HIGHER EDUCATION</b>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>2,382.41</u>
			<b>HEALTH AND WELFARE</b>					
316.00	312.00	(4.00)	<b>301 - State Department of Health</b>					311.00
			Adds:					
			1.00 FTE public information specialist II (administration)			\$77,582	\$77,582	
			0.25 FTE physician - State medical officer (administration)			65,846	65,846	
			0.25 FTE physician - State medical officer (administration)			65,846	65,846	
			0.50 FTE physician - State medical officer (administration)			131,246	131,246	
			1.00 FTE information center specialist II (education-technology)			80,420	80,420	
			1.00 FTE multimedia developer (education-technology)			69,694	69,694	
			1.00 FTE microbiologist II (microbiology lab)			88,507	88,507	
			5.00 FTE epidemiologist II (disease control)			452,610	452,610	
			1.00 FTE human service program administrator (health promotion)	\$105,959			105,959	
			0.50 FTE environmental scientist II (air quality)			50,179	50,179	
			1.00 FTE human service program administrator VI (bioterrorism administration)			168,387	168,387	
			1.00 FTE human service program administrator V (bioterrorism administration)			140,011	140,011	
			1.00 FTE administrative assistant I (bioterrorism administration)			60,345	60,345	
			Transfers:					
			1.00 FTE lab technician IV from State Water Commission (chemistry lab)			79,839	79,839	
			(14.50)FTE transferred to Attorney General's office (crime lab)	(980,704)		(326,901)	(1,307,605)	
			Deletes:					
			(1.00)FTE administrative services chief (administration)		(78,518)	(78,519)	(157,037)	
			(1.00)FTE human service program administrator (health facilities)		(145,374)		(145,374)	
			(2.00)FTE environmental scientist (air quality)		(17,114)	(154,027)	(171,141)	
			(1.00)FTE environmental engineer (air quality)		(10,953)	(98,581)	(109,534)	
			<u>(4.00)</u>		<u>(\$1,126,704)</u>	<u>\$872,484</u>	<u>(\$254,220)</u>	
87.01	88.01	1.00	<b>313 - Veterans Home</b>					80.41
			Adds:					
			<u>1.00</u> FTE information management analyst I (Administration)			<u>\$92,466</u>	<u>\$92,466</u>	
3.00	3.00	0.00	<b>316 - Indian Affairs Commission</b>					3.00
5.00	5.00	0.00	<b>321 - Department of Veterans Affairs</b>					4.50
1.00	0.70	(0.30)	<b>324 - Children's Services Coordinating Committee</b>					0.70
			Deletes:					
			<u>(0.30)</u> FTE administrative staff officer I			<u>(\$20,178)</u>	<u>(\$20,178)</u>	
362.10	348.60	(13.50)	<b>325 - Department of Human Services - Central office</b>					348.60
			Deletes:					
			(1.00) FTE auditor V in management		(73,286)	(67,122)	(140,408)	
			(1.00) FTE accounting manager I in management		(77,917)	(57,638)	(135,555)	
			(1.00) FTE personnel officer II in management		(36,727)	(47,581)	(84,308)	
			(1.00) FTE research analyst III in management		(43,471)	(58,572)	(102,043)	
			(1.00) FTE programmer analyst II in management		(31,221)	(93,977)	(125,198)	
			(1.00) FTE senior programmer analyst in management		(11,716)	(103,408)	(115,124)	

			(1.00) FTE senior programmer analyst in management	(45,143)	(87,632)	(132,775)
			(1.00) FTE human service program administrator VI in economic assistance	(1,798)	(138,213)	(140,011)
			(1.00) FTE human service program administrator II in program and policy	(56,634)	(33,620)	(90,254)
			(0.50) FTE human service program administrator V in program and policy	(66,516)		(66,516)
			(0.50) FTE transportation service aide in program and policy	(8,495)	(31,386)	(39,881)
			(0.50) FTE disability hearings officer in program and policy		(53,888)	(53,888)
			(0.50) FTE appointed position in program and policy	(68,927)		(68,927)
			(1.00) FTE human service program administrator III in program and policy	(25,029)	(92,479)	(117,508)
			(0.50) FTE administrative assistant II in program and policy	(29,306)	(20,789)	(50,095)
			(1.00) FTE administrative assistant I in program and policy	(13,796)	(50,976)	(64,772)
			<u>(13.50)</u>	<u>(\$589,982)</u>	<u>(\$937,281)</u>	<u>(\$1,527,263)</u>
473.14	16	458.04	(15.10) <b>Department of Human Services - Developmental Center</b>			458.04
			Deletes:			
			(0.30) FTE dentist		(\$67,759)	(\$67,759)
			(0.50) FTE administrative assistant I		(41,263)	(41,263)
			(1.00) FTE administrative assistant I	(\$73,813)		(73,813)
			(1.00) FTE landscaping and grounds supervisor		(88,086)	(88,086)
			(1.00) FTE direct training technician I	(49,288)		(49,288)
			(1.00) FTE security officer I	(66,038)		(66,038)
			(1.00) FTE administrative assistant I	(53,785)	(1,782)	(55,567)
			(1.00) FTE storekeeper I	(55,567)		(55,567)
			(0.50) FTE office assistant II	(55,399)		(55,399)
			(1.00) FTE security officer I	(63,229)		(63,229)
			(1.00) FTE unit program coordinator		(101,310)	(101,310)
			(0.50) FTE registered nurse II		(60,476)	(60,476)
			(0.10) FTE licensed practical nurse I		(7,074)	(7,074)
			(0.20) FTE direct training technician I		(7,896)	(7,896)
			(1.00) FTE assistant residential supervisor		(59,852)	(59,852)
			(1.00) FTE direct training technician I		(51,626)	(51,626)
			(1.00) FTE direct training technician II		(59,852)	(59,852)
			(1.00) FTE direct training technician II		(59,852)	(59,852)
			(1.00) FTE vocational training technician		(70,607)	(70,607)
			<u>(15.10)</u>	<u>(\$417,119)</u>	<u>(\$677,435)</u>	<u>(\$1,094,554)</u>
507.00	16	416.90	(90.10) <b>Department of Human Services - State Hospital</b>			416.90
			Deletes:			
			(11.10) FTE business administration positions	(\$974,583)		(\$974,583)
			(30.00) FTE food service positions	(1,716,466)		(1,716,466)
			(4.00) FTE laundry positions	(232,587)		(232,587)
			(9.00) FTE housekeeping positions	(516,644)		(516,644)
			(6.00) FTE plant services positions	(520,790)		(520,790)
			(5.00) FTE other support positions	(365,622)		(365,622)
			(3.00) FTE adolescent unit positions	(156,856)		(156,856)
			(3.00) FTE psychiatrists	(1,310,384)		(1,310,384)
			(1.00) FTE education director	(104,999)		(104,999)
			(15.00) FTE adult psychiatric inpatient treatment service positions	(1,149,789)		(1,149,789)
			(3.00) FTE chemical dependency inpatient treatment service positions	(199,164)		(199,164)
			<u>(90.10)</u>	<u>(\$7,247,884)</u>	<u>\$0</u>	<u>(\$7,247,884)</u>
901.33	16	817.58	(83.75) <b>Department of Human Services - Human Service Centers</b>			820.58
			Adds:			
			1.50 FTE youth addiction treatment positions - NCHSC	\$31,734	\$98,432	\$130,166

			2.00 FTE youth addiction treatment positions - SEHSC		153,850	153,850	
			1.00 FTE youth addiction treatment position - WCHSC		70,564	70,564	
			1.00 FTE youth addiction treatment position - BLHSC		87,760	87,760	
			Deletes:				
			(2.50) FTE administrative positions - NWHSC	(138,064)	(27,056)	(165,120)	
			(1.00) FTE developmental disabilities case manager - NWHSC	(76,182)		(76,182)	
			(6.00) FTE mental health and substance abuse treatment positions - NWHSC	(409,128)	(27,623)	(436,751)	
			(1.75) FTE administrative positions - NCHSC	(92,265)	(10,940)	(103,205)	
			(1.00) FTE developmental disabilities case manager - NCHSC	(78,736)		(78,736)	
			(1.50) FTE retired senior volunteer program positions - NCHSC		(108,510)	(108,510)	
			(3.00) FTE mental health and substance abuse treatment positions - NCHSC	(226,062)	(28,024)	(254,086)	
			(1.00) FTE human service center director - LRHSC	(155,285)	(19,193)	(174,478)	
			(0.50) FTE administrative position - LRHSC	(22,416)	(2,770)	(25,186)	
			(1.00) FTE vocational rehabilitation counselor - LRHSC	(20,319)	(75,074)	(95,393)	
			(1.50) FTE mental health and substance abuse treatment positions - LRHSC	(36,269)	(73,555)	(109,824)	
			(1.00) FTE human service center director - NEHSC	(152,991)	(13,702)	(166,693)	
			(1.00) FTE developmental disabilities case manager - NEHSC	(53,870)	(26,540)	(80,410)	
			(1.50) FTE retired senior volunteer program positions - NEHSC		(119,667)	(119,667)	
			(13.30) FTE Ruth Meiers adolescent treatment center positions - NEHSC		(932,865)	(932,865)	
			(4.00) FTE mental health and substance abuse treatment positions - NEHSC	(230,444)	(119,489)	(349,933)	
			(2.00) FTE administrative positions - SEHSC	(121,453)	(10,878)	(132,331)	
			(2.00) FTE disability services positions - SEHSC	(108,972)	(39,552)	(148,524)	
			(2.00) FTE retired senior volunteer program positions - SEHSC		(146,377)	(146,377)	
			(4.55) FTE mental health and substance abuse treatment positions - SEHSC	(410,143)	(12,326)	(422,469)	
			(2.00) FTE administrative positions - SCHSC	(103,493)	(11,499)	(114,992)	
			(1.00) FTE developmental disabilities case manager - SCHSC	(56,750)	(26,526)	(83,276)	
			(20.00) FTE Manchester House adolescent treatment center positions - WCHSC	(507,698)	(949,692)	(1,457,390)	
			(2.65) FTE dual diagnosis treatment services positions - WCHSC	(113,777)	(96,921)	(210,698)	
			(1.00) FTE human service center director - BLHSC	(156,837)	(17,017)	(173,854)	
			(1.00) FTE administrative position - BLHSC	(47,888)	(5,196)	(53,084)	
			(0.50) FTE child welfare position - BLHSC	(27,727)	(14,309)	(42,036)	
			(2.00) FTE disability services positions - BLHSC	(72,509)	(92,171)	(164,680)	
			(7.00) FTE mental health and substance abuse treatment positions - BLHSC	(314,970)	(245,660)	(560,630)	
			<u>(83.75)</u>	<u>(3,702,514)</u>	<u>(2,842,526)</u>	<u>(6,545,040)</u>	
<u>2,243.57</u>	<u>2,041.12</u>	<u>(202.45)</u>	<u>(202.45)</u> Department of Human Services subtotal	<u>(\$11,957,499)</u>	<u>(\$4,457,242)</u>	<u>(\$16,414,741)</u>	<u>2,044.12</u>
24.50	24.50	0.00	<b>360 - Protection and Advocacy Project</b>				24.50
389.78	367.17	(22.61)	<b>380 - Job Service North Dakota</b>				367.17
			Adds:				
			1.00 FTE programmer analyst III		\$127,598	\$127,598	
			1.00 FTE senior programmer analyst		127,598	127,598	
			Deletes:				
			(1.00)FTE division leader		(130,391)	(130,391)	
			(1.00)FTE administrative officer II		(75,612)	(75,612)	
			(1.00)FTE legal assistant I		(78,081)	(78,081)	
			(1.00)FTE appeals referee		(90,251)	(90,251)	
			(1.00)FTE information technology administrator		(118,347)	(118,347)	
			(0.50)FTE administrative assistant I		(34,643)	(34,643)	
			(1.00)FTE auditor IV		(116,701)	(116,701)	
			(1.00)FTE unit supervisor		(98,710)	(98,710)	
			(0.50)FTE administrative assistant II		(35,809)	(35,809)	

			(1.00)FTE interviewer II	(75,612)	(75,612)	
			(1.00)FTE interviewer III	(90,254)	(90,254)	
			(1.00)FTE interviewer II	(75,612)	(75,612)	
			(1.00)FTE customer service specialist	(82,990)	(82,990)	
			(1.00)FTE administrative assistant I	(69,852)	(69,852)	
			(1.00)FTE customer service specialist	(82,649)	(82,649)	
			(1.00)FTE customer service specialist	(82,649)	(82,649)	
			(0.36)FTE custodian	(24,264)	(24,264)	
			(1.00)FTE interviewer II	(75,612)	(75,612)	
			(1.00)FTE customer service specialist	(75,130)	(75,130)	
			(1.00)FTE office assistant III	(56,288)	(56,288)	
			(0.50)FTE customer service representative	(41,444)	(41,444)	
			(0.50)FTE customer service representative	(40,761)	(40,761)	
			(1.00)FTE office assistant II	(52,257)	(52,257)	
			(1.00)FTE customer service consultant	(80,805)	(80,805)	
			(1.00)FTE customer service specialist	(84,721)	(84,721)	
			(0.25)FTE customer service representative	(25,862)	(25,862)	
			(1.00)FTE customer service senior consultant	(96,043)	(96,043)	
			(1.00)FTE customer service specialist	(100,895)	(100,895)	
			<u>(22.61)</u>	<u>(\$1,837,049)</u>	<u>(\$1,837,049)</u>	
<u>3,069.86</u>	<u>2,841.50</u>	<u>(228.36)</u>	<b>TOTAL HEALTH AND WELFARE</b>	<u>(\$13,084,203)</u>	<u>(\$5,349,519)</u>	<u>(\$18,433,722)</u>
						<u>2,835.40</u>
			<b>REGULATORY</b>			
45.50	45.50	0.00	<b>401 - Insurance Department</b>			43.50
63.00	58.37	(4.63)	<b>405 - Industrial Commission</b>			58.37
			Deletes:			
			(0.19)FTE clerk III	(\$9,583)	(\$9,583)	
			(0.19)FTE information processing coordinator II	(12,943)	(12,943)	
			(1.00)FTE petroleum engineer IV	(151,201)	(151,201)	
			(1.00)FTE oil & gas production analyst	(90,226)	(90,226)	
			(1.00)FTE geologist III	(131,152)	(131,152)	
			(1.00)FTE office assistant I	(\$52,038)	(52,038)	
			(0.25)FTE appointed - Not classified	(39,452)	(39,452)	
			<u>(4.63)</u>	<u>(\$395,105)</u>	<u>(\$91,490)</u>	<u>(\$486,595)</u>
10.00	10.00	0.00	<b>406 - Labor Commissioner</b>			10.00
41.00	41.00	0.00	<b>408 - Public Service Commission</b>			39.00
6.00	6.00	0.00	<b>412 - Aeronautics Commission</b>			6.00
23.50	25.00	1.50	<b>413 - Department of Banking and Financial Institutions</b>			24.00
			Adds:			
			1.00 FTE financial institution examiner	\$80,815	\$80,815	
			0.50 FTE consumer finance company examiner	50,038	50,038	
			<u>1.50</u>	<u>\$130,853</u>	<u>\$130,853</u>	
8.00	8.00	0.00	<b>414 - Securities Commissioner</b>			8.00
178.50	178.50	0.00	<b>471 - Bank of North Dakota</b>			178.50

38.00	43.00	5.00	<b>473 - Housing Finance Agency</b>				44.00
			Adds:				
			1.00 FTE housing program technician I		\$71,980	\$71,980	
			1.00 FTE housing program administrator II		109,591	109,591	
			1.00 FTE data processing coordinator I		86,111	86,111	
			1.00 FTE housing program specialist I		58,727	58,727	
			1.00 FTE account/budget specialist III		54,568	54,568	
			<u>5.00</u>		<u>\$380,977</u>	<u>\$380,977</u>	
121.00	125.00	4.00	<b>475 - Mill and Elevator Association</b>				125.00
			Adds:				
			1.00 FTE budgeted - Pending classification		\$78,024	\$78,024	
			1.00 FTE budgeted - Pending classification		60,483	60,483	
			1.00 FTE budgeted - Pending classification		127,567	127,567	
			1.00 FTE budgeted - Pending classification		120,576	120,576	
			<u>4.00</u>		<u>\$386,650</u>	<u>\$386,650</u>	
228.00	228.00	0.00	<b>485 - Workers Compensation Bureau</b>				228.00
<u>762.50</u>	<u>768.37</u>	<u>5.87</u>	<b>TOTAL REGULATORY</b>		<u>(\$395,105)</u>	<u>\$806,990</u>	<u>\$411,885</u>
							<u>764.37</u>
			<b>PUBLIC SAFETY</b>				
196.00	181.00	(15.00)	<b>504 - Highway Patrol</b>				164.00
			Adds:				
			3.00 FTE Highway Patrol officer II	\$41,711	\$236,360	\$278,071	
			8.00 FTE motor carrier inspector II	96,538	547,049	643,587	
			Deletes:				
			(3.00) FTE motor carrier inspector I	(182,366)	(57,589)	(239,955)	
			(22.00) FTE motor carrier inspector II	(1,168,004)	(608,926)	(1,776,930)	
			(1.00) FTE motor carrier inspector III	(24,219)	(39,515)	(63,734)	
			<u>(15.00)</u>	<u>(\$1,236,340)</u>	<u>\$77,379</u>	<u>(\$1,158,961)</u>	
20.00	20.00	0.00	<b>512 - Division of Emergency Management</b>				20.00
615.18	717.18	102.00	<b>530 - Department of Corrections and Rehabilitation</b>				717.18
			Adds:				
			1.00 FTE correctional caseworker (field services) (adult services)	\$70,345		\$70,345	
			1.00 FTE administrative assistant II (field services) (adult services)	63,978		63,978	
			3.00 FTE parole and probation officer II (field services) (adult services)	91,344	\$182,688	274,032	
			1.00 FTE account technician II (prisons) (adult services)		60,415	60,415	
			2.00 FTE correctional officer II (prisons) (adult services)		137,399	137,399	
			1.00 FTE gen trades maintenance worker I (prisons) (adult services)	60,603		60,603	
			1.00 FTE carpenter II (prisons) (adult services)	85,717		85,717	
			1.00 FTE maintenance mechanic III (prisons) (adult services)	93,416		93,416	
			1.00 FTE plumber III (prisons) (adult services)	108,711		108,711	
			1.00 FTE electrician II (prisons) (adult services)	87,003		87,003	
			1.00 FTE training officer III (prisons) (adult services)		91,344	91,344	
			5.00 FTE food service operations supervisor I (prisons) (adult services)	264,657		264,657	
			6.00 FTE food service operations supervisor II	382,232		382,232	
			1.00 FTE food service director II (prisons) (adult services)	95,487		95,487	
			1.00 FTE food service director I (prisons) (adult services)	78,461		78,461	
			3.00 FTE laundry worker III (prisons) (adult services)	177,495		177,495	
			1.00 FTE laundry manager I (prisons) (adult services)	68,700		68,700	

			1.50 FTE registered nurse II (prisons) (adult services)	148,818		148,818	
			1.00 FTE chief of security (prisons) (adult services)	99,800		99,800	
			1.00 FTE administrative assistant I (prisons) (adult services)	53,734		53,734	
			1.00 FTE maintenance supervisor I (prisons) (adult services)	63,563		63,563	
			1.00 FTE food service operations supervisor I (prisons) (adult services)	52,931		52,931	
			1.00 FTE instructor (prisons) (adult services)		75,823	75,823	
			4.00 FTE correctional officer III (prisons) (adult services)		306,807	306,807	
			2.00 FTE addiction counselor II (prisons) (adult services)	171,768		171,768	
			1.00 FTE mental health care addiction technician (prisons) (adult services)	55,805		55,805	
			1.00 FTE social worker II (prisons) (adult services)	80,209		80,209	
			0.50 FTE chaplain (prisons) (adult services)	51,831		51,831	
			1.00 FTE administrative staff officer I (prisons) (adult services)	70,602		70,602	
			1.00 FTE instructor (prisons) (adult services)	75,823		75,823	
			1.00 FTE human services program administrator II (prisons) (adult services)	75,823		75,823	
			36.50 FTE correctional officer II (prisons) (adult services)	2,538,640		2,538,640	
			5.50 FTE correctional officer III (prisons) (adult services)	428,200		428,200	
			2.00 FTE correctional unit case manager (prisons) (adult services)	160,555		160,555	
			8.00 FTE correctional caseworker (prisons) (adult services)	582,287		582,287	
			1.00 FTE institutional recreation specialist (prisons) (adult services)	72,786		72,786	
			<u>102.00</u>	<u>\$6,511,324</u>	<u>\$854,476</u>	<u>\$7,365,800</u>	
136.00	139.00	3.00	<b>540 - Adjutant General</b>				136.00
			Adds:				
			1.00 FTE geographic information systems specialist II		\$90,579	\$90,579	
			1.00 FTE security officer II		71,963	71,963	
			1.00 FTE other - Not classified		84,871	84,871	
			<u>3.00</u>		<u>\$247,413</u>	<u>\$247,413</u>	
<u>967.18</u>	<u>1,057.18</u>	<u>90.00</u>	<b>TOTAL PUBLIC SAFETY</b>	<u>\$5,274,984</u>	<u>\$1,179,268</u>	<u>\$6,454,252</u>	<u>1,037.18</u>
			<b>AGRICULTURE AND ECONOMIC DEVELOPMENT</b>				
55.50	57.00	1.50	<b>602 - Agriculture Department</b>				56.50
			Adds:				
			0.50 FTE ag program specialist I (livestock services)	\$12,950	\$18,635	\$31,585	
			1.00 FTE veterinarian (livestock services)		133,399	133,399	
			<u>1.50</u>	<u>\$12,950</u>	<u>\$152,034</u>	<u>\$164,984</u>	
57.00	57.00	0.00	<b>605 - Commerce Department</b>				57.00
			Adds:				
			1.00 FTE position - Division of Community Services		\$106,924	\$106,924	
			1.00 FTE position - Workforce Development Division		111,634	111,634	
			Deletes:				
			(2.00) FTE transitional positions authorized only for the first year of the 2001-03 biennium relating to the creation of the Department of Commerce	(\$68,938)	(12,166)	(81,104)	
			<u>0.00</u>	<u>(\$68,938)</u>	<u>\$206,392</u>	<u>\$137,454</u>	
32.00	32.00	0.00	<b>616 - Seed Department</b>				32.00
28.50	31.50	3.00	<b>627 - Upper Great Plains Transportation Institute</b>				31.50
			Adds:				
			1.00 FTE associate research fellow (small urban and rural transit center)		\$131,682	\$131,682	
			1.00 FTE associate research fellow (advanced traffic analysis center)		131,682	131,682	

			1.00 FTE associate research fellow (Department of Transportation support center)	131,682	131,682	
			<u>3.00</u>	<u>\$395,046</u>	<u>\$395,046</u>	
78.10 \8	73.65	(4.45)	<b>628 - Branch Research Centers</b>			73.65
			Deletes:			
			(1.00)FTE research technician (Dickinson)	(\$67,682)	(\$67,682)	
			(1.00)FTE support position (Hettinger)	(47,157)	(59,957)	
			(0.50)FTE technician (Langdon)	(32,836)	(32,836)	
			(0.58)FTE seed stock technician (North Central)	(31,805)	(31,805)	
			(0.37)FTE personnel support (Williston)	(22,304)	(22,304)	
			(1.00)FTE research technician (Carrington)	(31,411)	(62,821)	
			<u>(4.45)</u>	<u>(\$233,195)</u>	<u>(\$277,405)</u>	
281.72 \8	277.57	(4.15)	<b>630 - NDSU Extension Service</b>			277.57
			Deletes:			
			(0.75)FTE agriculture communication editor	(\$94,663)	(\$94,663)	
			(1.00)FTE extension agent and office supervisor	(128,864)	(128,864)	
			(1.00)FTE 4-H youth development specialist	(159,044)	(159,044)	
			(0.65)FTE extension swine specialist	(93,644)	(93,644)	
			(0.75)FTE agriculture communication information systems specialist	(68,038)	(68,038)	
			<u>(4.15)</u>	<u>(\$544,253)</u>	<u>(\$544,253)</u>	
8.17 \8	8.17	0.00	<b>638 - Northern Crops Institute</b>			7.37
370.17 \8	358.55	(11.62)	<b>640 - Main Research Center</b>			358.55
			Deletes:			
			(8.14)FTE faculty positions	(\$1,281,008)	(\$1,385,948)	
			(3.48)FTE support - Other professional	(295,538)	(304,429)	
			<u>(11.62)</u>	<u>(\$1,576,546)</u>	<u>(\$1,690,377)</u>	
2.87 \8	2.87	0.00	<b>649 - Agronomy Seed Farm</b>			2.87
<u>914.03</u>	<u>898.31</u>	<u>(15.72)</u>	<b>TOTAL AGRICULTURE AND ECONOMIC DEVELOPMENT</b>	<u>(\$2,409,982)</u>	<u>\$595,431</u>	<u>(\$1,814,551)</u>
			<b>NATURAL RESOURCES AND HIGHWAYS</b>			
56.00	57.00	1.00	<b>701 - Historical Society</b>			56.00
			Adds:			
			0.50 FTE office assistant II	\$33,334	\$33,334	
			0.50 FTE office assistant II	33,334	33,334	
			<u>1.00</u>	<u>\$66,668</u>	<u>\$66,668</u>	
5.00	5.00	0.00	<b>709 - Council on the Arts</b>			5.00
136.00	139.00	3.00	<b>720 - Game and Fish Department</b>			142.00
			Adds:			
			<u>3.00</u> FTE biologist I		<u>\$241,922</u>	<u>\$241,922</u>
42.75	44.25	1.50	<b>750 - Parks and Recreation Department</b>			42.75
			Adds:			
			0.75 FTE maintenance worker I	\$45,116	\$45,116	
			0.75 FTE maintenance worker I	45,116	45,116	
			<u>1.50</u>	<u>\$90,232</u>	<u>\$90,232</u>	

89.00	85.00	(4.00)	<b>770 - State Water Commission</b>				86.00	
			Transfers:					
			(1.00)FTE lab tech to the State Department of Health (water and atmospheric resources)		(\$79,839)	(\$79,839)		
			Deletes:					
			(1.00)FTE assistant state engineer (administrative and support services)		(105,959)	(105,959)		
			(1.00)FTE chemist III (water and atmospheric resources)		(131,995)	(131,995)		
			(1.00)FTE water resource engineer (water and atmospheric resources)		(97,446)	(97,446)		
			<u>(4.00)</u>		<u>(\$415,239)</u>	<u>(\$415,239)</u>		
1,041.00	1,046.00	5.00	<b>801 - Department of Transportation</b>				1,041.00	
			Adds:					
			1.00 FTE telecommunications technician II		\$72,787	\$72,787		
			1.00 FTE transportation engineer I		72,787	72,787		
			1.00 FTE transportation engineer II		86,987	86,987		
			2.00 FTE engineering technician II		116,710	116,710		
			<u>5.00</u>		<u>\$349,271</u>	<u>\$349,271</u>		
<u>1,369.75</u>	<u>1,376.25</u>	<u>6.50</u>	<b>TOTAL NATURAL RESOURCES AND HIGHWAYS</b>		<u>\$66,668</u>	<u>\$266,186</u>	<u>\$332,854</u>	<u>1,372.75</u>
			<b>SUMMARY TOTALS</b>					
1,236.20	1,241.50	5.30	General Government	(\$16,745)	\$590,465	\$573,720	1,237.00	
271.07	264.07	(7.00)	Other Education	(384,437)	(233,136)	(617,573)	263.07	
3,069.86	2,841.50	(228.36)	Health and Welfare	(13,084,203)	(5,349,519)	(18,433,722)	2,835.40	
762.50	768.37	5.87	Regulatory	(395,105)	806,990	411,885	764.37	
967.18	1,057.18	90.00	Public Safety	5,274,984	1,179,268	6,454,252	1,037.18	
914.03	898.31	(15.72)	Agriculture and Economic Development	(2,409,982)	595,431	(1,814,551)	897.01	
1,369.75	1,376.25	6.50	Natural Resources and Highways	66,668	266,186	332,854	1,372.75	
<u>8,590.59</u>	<u>8,447.18</u>	<u>(143.41)</u>	<b>TOTAL ALL DEPARTMENTS (EXCLUDING HIGHER EDUCATION)</b>	<u>(\$10,948,820)</u>	<u>(\$2,144,315)</u>	<u>(\$13,093,135)</u>	<u>8,406.78</u>	
<u>3,070.58</u>	<u>2,382.41</u>	<u>(688.17)</u>	Higher Education	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,382.41</u>	
<u>11,661.17</u>	<u>10,829.59</u>	<u>(831.58)</u>	<b>GRAND TOTAL ALL DEPARTMENTS</b>	<u>(\$10,948,820)</u>	<u>(\$2,144,315)</u>	<u>(\$13,093,135)</u>	<u>10,789.19</u>	



- \1 The FTE positions included in the agency budget requests were based on the 95 percent budget request guidelines as directed by Governor Hoeven.
- \2 Includes 31 FTE positions from State Radio Communications, which was consolidated with the Office of Management and Budget.
- \3 The FTE positions listed for the Forest Service were adjusted by 0.16, from 17.81 to 17.97 in accordance with Section 9 of 2001 Senate Bill No. 2003.
- \4 Includes 227.37 FTE positions from the UND School of Medicine and Health Sciences, which was consolidated with the University of North Dakota.
- \5 The executive budget recommends decreasing the FTE positions for higher education from 3,070.58 to 2,382.41 to reflect institutional reductions and to report only the number of FTE positions funded from the general fund.
- \6 The 2001-03 FTE positions for the Department of Human Services, the Developmental Center, and the State Hospital have been adjusted. Section 5 of 2001 House Bill No. 1012 authorizes the department to transfer FTE positions at the human service centers, State Hospital, and Developmental Center.

Changes made are as follows:

	<b>2001-03 Legislative Authorized FTE</b>	<b>Adjustments</b>	<b>Adjusted 2001-03 Authorized FTE</b>
Developmental Center	471.14	2.00	473.14
State Hospital	509.00	(2.00)	507.00
Human service centers	896.33	5.00	901.33
Central office	362.10	0.00	362.10
<b>Total</b>	<u>2,238.57</u>	<u>5.00</u>	<u>2,243.57</u>

- \7 The FTE positions listed for the Workers Compensation Bureau were adjusted from 218.00 to 228.00 in accordance with Section 2 of 2001 House Bill No. 1024.
- \8 The FTE positions listed for the following entities under the control of the State Board of Higher Education were adjusted in accordance with Section 4 of 2001 Senate Bill No. 2021:

	<b>2001-03 Legislative Authorization</b>	<b>Adjusted FTE Level</b>	<b>Variance</b>
Upper Great Plains Transportation Institute	27.75	28.50	0.75
NDSU Extension Service	275.81	281.72	5.91
Northern Crops Institute	8.00	8.17	0.17
Agronomy Seed Farm	2.90	2.87	(0.03)
Branch research centers	76.36	78.10	1.74
Main Research Center	349.48	370.17	20.69
<b>Total</b>	<u>740.30</u>	<u>769.53</u>	<u>29.23</u>

## ANALYSIS OF STATE EMPLOYEE SALARY INCREASES

Year	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 his control to January 1, 1987	1.9%
1987	0%	3.7%
1988	0%	4.1%
1989	11.4% higher education faculty at UND and NDSU; 9.5% higher education faculty at other four-year universities; 7.3% higher education faculty at two-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 four-year universities, 5% higher education faculty at two-year colleges, 0% all other state employees	5.4%
1991	4% with a minimum of \$50 per month	4.2%

<b>Year</b>	<b>Salary Increase Provided or Proposed</b>	<b>Annual Inflation*</b>
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 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 are to be based on merit and equity	2.2%
2000	2% with a minimum of \$35 per month - Increases over \$35 are to be based on merit and equity. An additional 1% may be provided to the extent the increase can be paid with existing agency resources.	3.4%
2001 <sup>1</sup>	3% with a minimum of \$35 per month - Increases over \$35 are to be based on merit and equity	2.8%
2002 <sup>1</sup>	2% with a minimum of \$35 per month - Increases over \$35 are to be based on merit and equity	1.6% (projected)
2003	1% effective on January 1, 2004	2.0% (projected)
2004	2% effective on January 1, 2005	2.1% (projected)

\* Percentage change, consumer price index annual rate, Economy.com

<sup>1</sup> In addition, the 2001 Legislative Assembly provided:

\$5 million, \$2.7 million of which is from the general fund, for market equity compensation adjustments for classified employees as approved by the Central Personnel Division.

\$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 may be used for salary increases to address equity issues.

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

## ANALYSIS OF ELECTED OFFICIALS' SALARIES

The executive budget recommendation for the 2003-05 biennium contains salary increases of 1 percent effective January 1, 2004, and 2 percent effective January 1, 2005, for elected officials. The salary of the Governor and Lieutenant Governor is first reduced by 2 percent on July 1, 2003. The schedule below shows for each elected official the salary authorized by the 2001 Legislative Assembly and the salary being proposed in the executive budget.

State Official	Statutory Annual Salary Authorized by 2001 Legislative Assembly			Proposed Annual Salary Included in the 2003-05 Executive Budget Recommendation		
	Effective	Effective	Effective	Effective	Effective	Effective
	July 1, 2001	January 1, 2002 \1	July 1, 2002	July 1, 2003	January 1, 2004	January 1, 2005
Governor	\$85,506	\$85,506	\$87,216	\$85,506 \2	\$86,355	\$88,082
Lieutenant Governor	\$66,380	\$66,380	\$67,708	\$66,380 \2	\$67,048	\$68,389
Secretary of State	\$64,742	\$66,684	\$68,018	\$68,018	\$68,696	\$70,070
Attorney General	\$71,072	\$73,204	\$74,668	\$74,668	\$75,411	\$76,919
Superintendent of Public Instruction	\$69,648	\$75,916	\$77,434	\$77,434	\$78,210	\$79,775
Tax Commissioner	\$68,277	\$72,374	\$73,821	\$73,821	\$74,562	\$76,053
Insurance Commissioner	\$64,742	\$66,684	\$68,018	\$68,018	\$68,696	\$70,070
Public Service Commissioner	\$66,509	\$68,504	\$69,874	\$69,874	\$70,575	\$71,986
Public Service Commissioner	\$66,509	\$68,504	\$69,874	\$69,874	\$70,575	\$71,986
Public Service Commissioner	\$66,509	\$68,504	\$69,874	\$69,874	\$70,575	\$71,986
Agriculture Commissioner	\$66,509	\$68,504	\$69,874	\$69,874	\$70,573	\$71,984
State Auditor	\$64,742	\$66,684	\$68,018	\$68,018	\$68,696	\$70,070
State Treasurer	\$62,974	\$62,974	\$64,233	\$64,233	\$64,878	\$66,176

The budget as submitted by the judicial branch contains the funding needed to provide salary increases of approximately 3 percent for the first year of the biennium and 3 percent for the second year of the biennium for judges, and 3 percent the first year of the biennium and 2 percent the second year of the biennium for justices.

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

	<b>Statutory Annual Salary Authorized by 2001 Legislative Assembly</b>		<b>Proposed Annual Salary Included in the 2003-05 Judicial Branch Budget Request</b>	
	<b>July 1, 2001</b>	<b>July 1, 2002</b>	<b>July 1, 2003</b>	<b>July 1, 2005</b>
	Supreme Court Chief Justice	\$94,858	\$102,021	\$105,082
Other Supreme Court justices	\$92,289	\$99,122	\$102,096	\$104,138
District court presiding judges	\$86,754	\$93,343	\$96,143	\$99,028
Other district court judges	\$84,765	\$90,671	\$93,391	\$96,193

\1 Pay equity adjustments were provided on January 1, 2002, for elected officials being paid less than similar positions in neighboring states.

Governor	\$0 *
Lieutenant Governor	\$0 *
Secretary of State	\$1,942
Attorney General	\$2,132
Superintendent of Public Instruction	\$6,268
Tax Commissioner	\$4,097
Insurance Commissioner	\$1,942
Public Service Commissioner	\$1,995
Public Service Commissioner	\$1,995
Public Service Commissioner	\$1,995
Agriculture Commissioner	\$1,995
State Auditor	\$1,942
State Treasurer	\$0 *

\* Was not provided a pay equity increase on January 1, 2002.

\2 The executive budget recommendation includes a July 1, 2003, 2 percent reduction in the salary of the Governor and Lieutenant Governor.

## ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2001-03 AND 2003-05 BIENNIUMS (REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$39,147,532	\$18,699,431
Add estimated revenues		
2000 government nursing facility funding pool payment (July 2001)	\$15,398,174	
2001 government nursing facility funding pool payment (July 2002)	19,572,290	
2002 government nursing facility funding pool payment (July 2003)		\$12,430,686
2003 government nursing facility funding pool payment (July 2004)		6,165,373
Investment earnings (market loss through October 2002)	(2,060,412)	0
Loan repayments - Principal and interest	<u>252,000</u>	<u>1,064,504</u>
Total estimated revenues	<u>\$33,162,052</u>	<u>\$19,660,563</u>
Total available	\$72,309,584	\$38,359,994
Less estimated expenditures		
Department of Human Services		
Grants - 1999-2001 commitments - Department estimate (\$100,226 appropriated)	\$8,183	
Loans - 1999-2001 commitments	2,696,435	
Loans - 2001-03 biennium	9,303,565	
Service payments for elderly and disabled (SPED)	6,898,302	\$6,898,302
Health Insurance Portability and Accountability Act (HIPAA) computer project - State matching and other technology projects	3,000,000	
Basic care assistance		382,080
Basic care employee compensation enhancement	202,080	
Basic care facility personal care allowance increase	180,000	
Medical assistance - Nursing facility care		29,137,300
Medical assistance - Developmental disability grants		27,000
Nursing home bed reduction incentive	4,000,000	
Nursing facility employee compensation enhancement	8,189,054	
Nursing facility rate limit increases resulting from rebasing	681,846	
Nursing facility and intermediate care facility for the mentally retarded personal care allowance increase	309,600	
Qualified service provider training grants (\$140,000 appropriated)	50,000	140,000
Senior citizen mill levy match	250,000	250,000
Medical assistance - Targeted case management	338,530	338,530
Independent living center grants	100,000	100,000
Statewide long-term care needs assessment (\$241,006 appropriated)	237,285	
Administrative costs	71,158	62,666
Medical assistance deficiency appropriation (Senate Bill No. 2025)	16,300,000	
State Department of Health		
Quick response unit pilot project	225,000	225,000
Scholarship and nurses' student loan repayment grant program	489,500	489,500

Bank of North Dakota administrative fee	<u>79,615</u>	<u>79,615</u>	
Total estimated expenditures		<u>\$53,610,153</u>	<u>\$38,129,993</u>
Estimated ending balance		<u>\$18,699,431<sup>1</sup></u>	<u>\$230,001</u>

<sup>1</sup> Section 39 of House Bill No. 1196 provides that the State Treasurer may not approve payments from the fund that would reduce the fund's unobligated balance below \$13 million except for payments to repay the federal government for disputed claims until the Department of Human Services certifies to the State Treasurer that the federal Health Care Financing Administration's claim for the return of \$13 million of the state's first-year (FY 2000) payment has been resolved. The department has not yet received final assurances from the federal government that it will not require the state to return the \$13 million from the state's first-year claim.

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

**ANALYSIS OF THE LANDS AND MINERALS TRUST FUND FOR THE 2001-03 AND 2003-05 BIENNIUMS  
(REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)**

	<b>2001-03 Biennium</b>	<b>2003-05 Biennium</b>
Beginning balance	\$2,053,626	\$397,382
Add estimated revenues		
Production royalties	\$2,151,570	\$2,295,220
Mineral leases	90,440	100,000
Oil and gas bonuses	105,041	178,634
Investment earnings	173,337	67,561
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	<u>1,638,512</u>	<u>1,375,578</u>
Total estimated revenues	<u>\$4,158,900</u>	<u>\$4,016,993</u>
Total available	\$6,212,526	\$4,414,375
Less estimated expenditures and transfers		
Payments to common schools trust fund - DD loan fund No. 2 and No. 3 (2001 HB 1012; 2003 SB 2012)	\$2,077,969 \1	\$2,261,556 \2
Industrial Commission - Oil and Gas Division	0	0
Transfer to the general fund (2001 HB 1015; 2003 SB 2015)	3,545,102	3,000,000
Administrative costs/other fees	<u>192,073</u>	<u>240,000</u>
Total estimated expenditures and transfers	<u>\$5,815,144</u>	<u>\$5,501,556</u>
Estimated ending balance	<u><u>\$397,382</u></u>	<u><u>(\$1,087,181)</u></u>

\1 The 2001-03 biennium appropriation in 2001 House Bill No. 1012 totals \$2,261,556.

\2 Although the Land Department anticipates actual payments to the common schools trust fund to total \$2,077,969 during the 2003-05 biennium, 2003 Senate Bill No. 2012 appropriates \$2,261,556. The additional appropriation is provided to allow for additional loans that could be made during the 2003-05 biennium.

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

The principal and interest of the trust fund may be used only for purposes approved by the Legislative Assembly.



**ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND 2001-03 AND 2003-05 BIENNIUMS  
(REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)**

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$13,179,298 <sup>1</sup>	\$14,358,056
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	\$1,178,758	\$0
Total estimated revenues	1,178,758 <sup>2</sup>	0 <sup>3</sup>
Total available	\$14,358,056	\$14,358,056
Less estimated expenditures	0	14,358,056 <sup>4</sup>
Ending balance	\$14,358,056	\$0

**NOTE:** North Dakota Century Code (NDCC) Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that biennium and derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$62 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year.

<sup>1</sup> Beginning balance - July 1, 2001 - The general fund revenues derived from oil and gas production taxes and oil extraction taxes totaled \$75,179,298 for the 1999-2001 biennium. Since revenues exceeded the \$62 million statutory limit, \$13,179,298 was transferred into the permanent oil tax trust fund on June 30, 2001. Any interest earned is deposited in the general fund.

<sup>2</sup> Estimated revenues - 2001-03 - The revised revenue forecast for the 2001-03 biennium projects oil and gas production tax and oil extraction tax revenues for deposit in the general fund to exceed \$62 million by \$1,178,758; therefore, there is a projected transfer of \$1,178,758 to the permanent oil tax trust fund at the end of the biennium.

<sup>3</sup> Estimated revenues - 2003-05 - The executive budget recommends amending NDCC Section 57-51.1-07.2 (Section 13 of Senate Bill No. 2015) to suspend any transfers to the permanent oil tax trust fund during the 2003-05 biennium. The executive budget projects oil extraction and oil and gas gross production tax collections to generate \$65.4 million for the 2003-05 biennium with all of the funds deposited in the general fund.

<sup>4</sup> Estimated expenditures - 2003-05 - The 2003-05 executive budget recommends transferring the permanent oil tax trust fund balance on July 1, 2003, to the general fund. Pursuant to NDCC Section 57-51.1-07.2, the principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

## ANALYSIS OF THE RESOURCES TRUST FUND 2001-03 AND 2003-05 BIENNIUMS (REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$14,727,288	\$3,212,284
Add estimated revenues		
Oil extraction tax collections	\$7,716,229	\$8,595,706
Repayments and reimbursements	1,808,739	1,800,704
Investment earnings/miscellaneous	678,059	89,962
Total estimated revenues	\$10,203,027 <sup>1</sup>	\$10,486,372
Total available	\$24,930,315	\$13,698,656
Less estimated expenditures		
State Water Commission		
Grants and administration	\$21,718,031 <sup>2</sup>	\$13,650,000 <sup>3</sup>
Total estimated expenditures	\$0	\$13,650,000
Ending balance	\$3,212,284	\$48,656

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

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

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

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

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

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

<sup>1</sup> Estimated revenues - 2001-03 - The estimated revenues for the 2001-03 biennium reflect actual revenues through November 30, 2002, and estimated revenues for the remainder of the biennium. The current estimate of revenues for the biennium is \$816,576 less than the estimate of \$11,019,603 made at the close of the 2001 legislative session. The decrease is attributable to the following changes:

Decrease in oil extraction tax collections	(\$1,130,579)
Increase in repayments for previously funded water projects	4,300
Increase in investment income	309,703
Net decrease from revenue amount previously estimated for 2001-03	(\$816,576)

<sup>2</sup> Section 3 of 2001 House Bill No. 1023 appropriated \$21,718,031 from the resources trust fund to the State Water Commission.

<sup>3</sup> The executive budget recommendation includes an appropriation of \$13,650,000 in Senate Bill No. 2022 from the resources trust fund for the State Water Commission for purposes authorized by the 2003 Legislative Assembly.

**ANALYSIS OF THE STATE AID DISTRIBUTION FUND 2001-03 AND 2003-05 BIENNIUMS  
(REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)**

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$0	\$0
Add estimated receipts		
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)	66,937,897	70,132,000
Total available	\$66,937,897	\$70,132,000
Less estimated expenditures		
Payments to political subdivisions		
County share (53.7%)	\$35,945,651	\$37,660,884
City share (46.3%)	30,992,246	32,471,116
Total estimated expenditures	\$66,937,897	\$70,132,000
Ending balance	\$0	\$0

**NOTE:** The amounts shown above reflect the revised 2001-03 revenue forecast (December 2000) and the executive budget revenue forecast for the 2003-05 biennium.

North Dakota Century Code (NDCC) Section 57-39.2-26.1 provided, prior to January 1, 1999, for the deposit of a portion of sales, use, and motor vehicle excise tax collections equal to 60 percent of an amount determined by multiplying the quotient of 1 percent divided by the general sales tax rate that was in effect when the sales were collected times the net sales, use, and motor vehicle excise tax allocations 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 NDCC Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of 1 percent of the net sales, use, and motor vehicle excise tax collections instead of an amount equal to 60 percent of 1 percent of the net sales, use, and motor vehicle excise tax collections. In addition, a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions.

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

State revenue sharing funding was allocated to political subdivisions based on population and mill levies, and personal property tax funding was allocated to political subdivisions based on the historic real property taxes levied. The new allocation provides for 53.7 percent of the revenues to be distributed to counties and 46.3 percent to be distributed to cities. The distribution to the counties and cities is based on population categories. Each population category receives a percentage of the county or city share of the total and is then allocated to the counties or cities within the categories based on population. The following chart shows the allocation of the fund to the various county and city population categories:

<b>Population Category</b>			
<b>Counties</b>	<b>Percentage</b>	<b>Cities</b>	<b>Percentage</b>
100,000 or more	10.4%	20,000 or more	53.9%
40,000 or more but less than 100,000	18.0%	10,000 or more but less than 20,000	16.0%
20,000 or more but less than 40,000	12.0%	5,000 or more but less than 10,000	4.9%
10,000 or more but less than 20,000	14.0%	1,000 or more but less than 5,000	13.1%
5,000 or more but less than 10,000	23.2%	500 or more but less than 1,000	6.4%
2,500 or more but less than 5,000	18.3%	200 or more but less than 500	3.5%
Less than 2,500	4.1%	Less than 200	2.2%
<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>

House Bill No. 1025 (2003), recommended by the Legislative Council's Advisory Commission on Intergovernmental Relations, would revise the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 federal census and if approved by the Legislative Assembly would become effective August 1, 2003. The bill provides for total distribution percentages to cities and counties to remain at current levels--53.7 percent to counties and 46.3 percent to cities; however, the allocation formula to specific counties and cities would be as follows:

<b>Population Category</b>			
<b>Counties</b>	<b>Percentage</b>	<b>Cities (Based on Population)</b>	<b>Percentage</b>
17 counties with the largest population (allocated equally)	20.5%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.5%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.4%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.6%	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%
<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>

## ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2001-03 AND 2003-05 BIENNIUMS (REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2001-03 BIENNIUM	\$0	2003-05 BIENNIUM	\$0
Beginning balance		\$0		\$0
Add revenues				
Tobacco settlement revenues collected to date	\$26,780,712 <sup>1</sup>			
Projected tobacco settlement revenues	26,536,443		\$45,944,134	
Total revenues		53,317,155 <sup>2</sup>		45,944,134 <sup>2</sup>
Total available		\$53,317,155 <sup>3</sup>		\$45,944,134
Less expenditures and transfers				
Transfers to the community health trust fund (10%)	\$5,331,715		\$4,594,414	
Transfers to the common schools trust fund (45%)	23,992,720		20,674,860	
Transfers to the water development trust fund (45%)	23,992,720		20,674,860	
Total expenditures and transfers		53,317,155		45,944,134
Estimated ending balance		\$0		\$0

<sup>1</sup> Five 2001-03 biennium tobacco settlement payments have been received by the state as of December 1, 2002, totaling \$26,780,712. Total tobacco settlement collections of \$79,681,496 have been received to date by North Dakota.

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

<sup>3</sup> The tobacco settlement proceeds for the 2001-03 biennium were estimated to be \$61,143,578 at the end of the 1999 legislative session. The decrease in the amount of tobacco settlement revenues collected for the biennium of \$7,826,423 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The total original estimated tobacco settlement collections made during the 1999 legislative session and the total estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,317,155
2003-05	51,271,214	45,944,134
2005-07	51,271,214	45,944,134
2007-17 (\$82,231,080/\$73,687,266 per biennium)	411,155,400	368,436,330
2017-25 (\$58,591,490/\$52,503,832 per biennium)	234,365,960	210,015,328

Total	\$866,801,136	\$776,557,865
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**FUND HISTORY**

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

- 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 54-27-25 requires transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the money deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that the deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 2001-03 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

## ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2001-03 AND 2003-05 BIENNIUMS (REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$5,290,078	\$5,467,038
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	\$2,678,071 <sup>1</sup>	
Remaining transfers from the tobacco settlement trust fund	2,653,644	\$4,594,414
Total estimated revenues	\$5,331,715 <sup>2</sup>	\$4,594,414 <sup>2</sup>
Total available	\$10,621,793	\$10,061,452
Less estimated expenditures		
State Department of Health		
Tobacco prevention and control	\$4,700,000 <sup>3</sup>	\$4,700,000 <sup>3</sup>
Dentists' loan program (\$180,000 appropriated in 2001-03)	140,000 <sup>4</sup>	380,000 <sup>4</sup>
Community health grants (\$350,000 appropriated in 2001-03)	200,000 <sup>5</sup>	350,000 <sup>5</sup>
Tobacco "quit line"	0	800,000 <sup>6</sup>
Legal costs for establishing the tobacco "quit line"		25,000 <sup>6</sup>
Department of Human Services		
Breast and cervical cancer assistance	114,755 <sup>7</sup>	114,755 <sup>7</sup>
Total estimated expenditures	\$5,154,755 <sup>3</sup>	\$6,369,755 <sup>3</sup>
Estimated ending balance	\$5,467,038 <sup>4</sup>	\$3,691,697

<sup>1</sup> As of December 2002, five transfers have been made from the tobacco settlement trust fund totaling \$2,678,071. Total transfers of \$7,968,150 have been made to date from the tobacco settlement trust fund to the community health trust fund.

<sup>2</sup> Revenues - Interest earned on the community health trust fund is deposited in the state general fund. The tobacco settlement revenues for the community health trust fund were estimated to be \$6,114,358 for the 2001-03 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$782,643 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the community health trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$5,759,377	\$5,290,078
2001-03	6,114,358	5,331,715
2003-05	5,127,121	4,594,414
2005-07	5,127,121	4,594,414
2007-17 (\$8,223,108/\$7,368,727 per biennium)	41,115,540	36,843,633
2017-25 (\$5,859,149/\$5,250,383 per biennium)	23,436,596	21,001,532
<b>Total</b>	<b>\$86,680,113</b>	<b>\$77,655,786</b>



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

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

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

Two dentists were accepted into the program during the first year of the 2001-03 biennium, serving communities over 10,000 residents (Minot) and less than 2,500 residents (Larimore). The budget is based on the assumption the full allotment of dentists will be provided funding for the second year of the 2001-03 biennium and the 2003-05 biennium.

<sup>5</sup> The community health grant program was established in 2001 Senate Bill No. 2380 (NDCC Section 23-38-01) with the intent to prevent or reduce tobacco usage. The 2001 Legislative Assembly appropriated \$350,000 for funding the Community Health Grant Advisory Committee (\$100,000) and to provide grants to cities and counties for tobacco education and cessation programs (\$250,000). The State Department of Health estimates actual 2001-03 biennium expenditures for city and county government cessation programs to be \$100,000. The executive budget recommendation provides \$100,000 for the Community Health Grant Program Advisory Committee and \$250,000 for grants to cities and counties for tobacco education and cessation programs.

<sup>6</sup> The executive budget recommendation includes an appropriation of \$800,000 for a telephone tobacco "quit line" and \$25,000 for related legal costs in establishing the "quit line."

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

### **FUND HISTORY**

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

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

## ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2001-03 AND 2003-05 BIENNIUMS (REFLECTING THE 2003-05 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2001-03 Biennium	2003-05 Biennium
Beginning balance	\$23,805,353	\$23,299,779
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$12,051,320 <sup>1</sup>	
Remaining transfers from tobacco settlement trust fund	11,941,400	\$20,674,860
Total estimated revenues	\$23,992,720 <sup>2</sup>	\$20,674,860 <sup>2</sup>
Total available	\$47,798,073	\$43,974,639
Less estimated expenditures		
Transfer to the general fund	\$9,733,820 <sup>3</sup>	\$0
State Water Commission		
Operating and administrative costs	0	9,236,683 <sup>4</sup>
Water development projects	9,234,320 <sup>5</sup>	15,709,542 <sup>6</sup>
Bond payments	5,430,398 <sup>7</sup>	8,000,000 <sup>7</sup>
State Department of Health		
Total maximum daily load and pollution control plans	99,756 <sup>8</sup>	0 <sup>8</sup>
Repayment of 2001-03 loans used for the state's matching share of federal disaster relief funding		
University of North Dakota (HB 1003)		1,193,146
North Dakota State University (HB 1003)		262,928
Division of Emergency Management (SB 2016)		8,900,000
Parks and Recreation Department (SB 2021)	_____	575,287
Total estimated expenditures	\$24,498,294 <sup>9</sup>	\$43,877,586 <sup>9</sup>
Estimated ending balance	\$23,299,779	\$97,053

<sup>1</sup> As of December 2002, five transfers have been made from the tobacco settlement trust fund totaling \$12,051,320. Total transfers of \$35,856,673 have been made to date from the tobacco settlement trust fund to the water development trust fund.

<sup>2</sup> Revenues - Interest earned on the water development trust fund is deposited in the state general fund. The tobacco settlement revenues for the water development trust fund were estimated to be \$27,514,610 for the 2001-03 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$3,521,890 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	23,992,720
2003-05	23,072,046	20,674,860
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	\$349,451,039

<sup>3</sup> Section 19 of 2001 House Bill No. 1023 provided for a transfer of \$9,733,820, the amount for the State Water Commission administrative expenses, from the water development trust fund to the general fund. A general fund appropriation was then provided by the 2001 Legislative Assembly for the administrative expenses. Section 22 of 2001 House Bill No. 1023 provided legislative intent that the water development trust fund not be used as a source of funding for State Water Commission administrative expenses after the 2001-03 biennium.

<sup>4</sup> The executive budget recommendation includes funding for State Water Commission operating and administrative costs from the water development trust fund.

<sup>5</sup> House Bill No. 1475 (1999) (North Dakota Century Code (NDCC) Section 54-27-25) provides that money in the water development trust fund is to be used to address the long-term water development and management needs of the state. Section 4 of 2001 House Bill No. 1023 authorized \$37,631,684 to the State Water Commission from the water development trust fund, consisting of \$28,572,333 included in the water projects line item in Section 1 of the bill, \$422,953 of additional operating costs relating to water projects, and \$8,636,398 for bond payments. Actual 2001-03 biennium water project expenditures from the water development trust fund are estimated to be \$9.2 million.

<sup>6</sup> Senate Bill No. 2022 (2003) includes \$32,946,225 from the water development trust fund to the State Water Commission. The funding is for administrative and operating costs (\$9,236,683), bond payments (approximately \$8 million), reimbursement to the State Department of Health for nonpoint sources of pollution control expenses (up to \$300,000) and water control projects (approximately \$15 million).

<sup>7</sup> Senate Bill No. 2188 (1999) (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 Grand Forks flood control and \$4.5 million for the Southwest Pipeline Project). For the 2001-03 biennium, bond payments on the March 2000 issuance totaled \$5,430,398. The State Water Commission does not anticipate any new borrowing for water projects during the 2001-03 biennium. The executive budget recommendation, in Senate Bill No. 2022, authorizes the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium. Bond payments on the March 2000 issuance and on the new issuances for the 2003-05 biennium are estimated to be \$8 million.

<sup>8</sup> Senate Bill No. 2004 (2001) appropriated \$99,756 from the water development trust fund to replace the general fund share of the cost of two FTE positions and related operating expenses and equipment to develop total maximum daily loads and pollution control plans. For the 2003-05 biennium, the executive budget allows the State Water Commission to provide up to \$300,000 from the funds appropriated to the State Water Commission for water projects from the water development trust fund to the State Department of Health for costs associated with these plans.

<sup>9</sup> The 2001 Legislative Assembly authorized the State Water Commission to spend up to \$67.8 million from the water development trust fund, resources trust fund, and bond proceeds on new water development projects for the 2001-03 biennium. Section 14 of 2001 House Bill No. 1023 limited the bonding authority for the new projects to \$20 million plus the cost of issuing bonds. Contracts for water projects to be paid from the water development trust fund may initially be issued up to an amount equal to 75 percent of the amount appropriated from that fund. Contracts for the remaining 25 percent appropriated may only be issued to the extent uncommitted funds are available in the water development trust fund. The State Water Commission was also authorized in 2001 House Bill No. 1015 to spend up to \$5 million from the resources trust fund or bond proceeds for levees at Devils Lake, which increases the bonding limit to \$25 million and the water project limit to \$72.8 million.

Senate Bill No. 2022 (2003) would appropriate to the State Water Commission a total of \$32,946,225 from the water development trust fund. The funding is for administrative and operating costs (\$9,236,683), bond payments (approximately \$8 million), reimbursement to the State Department of Health for nonpoint sources of pollution control expenses (up to \$300,000), and water control projects (approximately \$15 million). In addition, the executive budget recommendation authorizes the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium and appropriates \$13,650,000 from the resources trust fund for purposes authorized by the Legislative Assembly.

## **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 as follows, within 30 days of its deposit in the fund:

- 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 54-27-25 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the money deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected 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.