

ANALYSIS OF THE STATE BONDING FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$2,302,806		\$2,515,053
Add revenues				
Investment income	(\$476,318) ¹		\$300,000	
State bonding fund claims collections	110,149		50,000	
Transfer from the insurance regulatory trust fund (2009 HB 1010)	500,000			
Total revenues		133,831		350,000
Total available		\$2,436,637		\$2,865,053
Less expenditures and transfers				
Insurance Department administration (2007 SB 2010; 2009 HB 1010)	\$44,131		\$41,518	
Investment management expense	14,177		10,000	
State bonding fund claim losses - Net of subrogated and dismissed claims	(139,998) ²		125,000	
Claims-related expenditures	3,274		15,000	
Total expenditures and transfers		(78,416)		191,518
Ending balance		\$2,515,053		\$2,673,535

¹The state bonding fund had a decline in investment value of 15.49 percent during fiscal year 2009.

²Amount is shown for claims losses due to the dismissal of a claim that was originally anticipated to be paid and adjustments made to reflect the estimated amount of reserves needed for claims against the fund.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$2,477,526. The increase in the estimated balance of \$196,009 is primarily due to anticipated improved investment results.

FUND HISTORY

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

ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$200,000,000		\$324,936,548
Add revenues				
Transfer from general fund	\$124,936,548 ¹		\$0	
Investment income	0 ²		0 ²	
Total revenues		124,936,548		0
Total available		\$324,936,548		\$324,936,548
Less expenditures and transfers				
None	\$0		\$0 ³	
Total expenditures and transfers		0		0
Ending balance		<u>\$324,936,548</u>		<u>\$324,936,548</u>

¹North Dakota Century Code Chapter 54-27.2 provides that any amount in the general fund at the end of the biennium in excess of \$65 million must be transferred to the budget stabilization fund, except that beginning July 1, 2009, the balance in the budget stabilization fund may not exceed 10 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.

²Interest earned on the fund is deposited in the general fund because the fund is at the maximum allowed under Section 54-27.2-01.

³No transfers from the budget stabilization fund are anticipated.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$324,936,548. During the 2009 legislation session, the budget stabilization fund's market value was \$183.4 million, \$16.6 million less than the original investment of \$200 million. The reduction was the result of investment losses based on the market value of the investments. At this time, the fund's market value has increased and no losses have been realized.

FUND HISTORY

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

- Section 54-27.2-01 establishes the budget stabilization fund and provides that any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section originally provided that any money in the fund in excess of 5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly must be deposited in the state general fund. The 2007 Legislative Assembly approved House Bill No. 1429 which transferred \$100,527,369 from the ending 2005-07 biennium general fund balance into the fund providing a total of \$200 million in the fund. The bill also increased, effective July 1, 2009, the maximum balance allowed in the fund from 5 percent to 10 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides that any amount in the state general fund at the end of the biennium in excess of \$65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides that the Governor may order a transfer from the budget stabilization fund to the general fund if the director of the Office of Management and Budget projects general fund revenues for the biennium to be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.

ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS¹

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
Beginning balance		\$805,304 ²		\$1,333,303
Add revenues				
Investment income	\$65,193		\$57,558	
Rentals, royalties, and bonuses	984,458		1,636,712	
Total revenues		1,049,651		1,694,270
Total available		\$1,854,955		\$3,027,573
Less expenditures and transfers				
Administrative expenses	\$28,544		\$44,419	
Income payments to counties	4,656 ³		4,954 ³	
Capitol Grounds Planning Commission operating expenses (2007 HB 1522 and North Dakota Century Code Section 49-10-02 ⁴)	488,452 ⁵		25,000	
Total expenditures and transfers		521,652		74,373
Ending balance		\$1,333,303		\$2,953,200

¹The analysis reflects the legislative appropriations for the 2007-09 and 2009-11 bienniums and does not include the land owned by the fund.

²The 2007-09 biennium beginning balance has been adjusted to remove the value of the land owned by the fund. The current value of land owned by the fund is approximately \$99,919.

³The 1999 Legislative Assembly approved Senate Bill No. 2088, which provides that the Board of University and School Lands is to pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The total fees paid may not exceed 5 percent of the net revenue generated from the original grant lands in that county during the year preceding the payments. The board of county commissioners is to forward a prorated portion of any fees received to the organized townships in which the original grant lands are located. The funds are to be used for the repair, maintenance, and construction of roads and bridges. Any remaining funds are to be used by the county for repair, maintenance, and construction of roads and bridges in unorganized townships in which the original grant lands are located.

⁴Section 49-10-02 provides a continuing appropriation to the Capitol Grounds Planning Commission to expend up to \$100,000 per biennium of income and interest of the Capitol building fund. The amount that may be spent may not exceed 50 percent of the unencumbered balance of the fund on the first day of the biennium.

⁵The following projects were completed during the 2007-09 biennium:

- Brass restoration on the ground and first floors;
- Cleaning of block marble in the main stairway;
- Granite cleaning and repair on the exterior of the Capitol; and
- Replacement of copper roofs on the Memorial Hall revolving doors and the south side of Memorial Hall.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$1,634,975. The increase in the estimated balance of \$1,318,225 is primarily due to an increase in the anticipated income from mineral royalties, mineral rents, and mineral bonuses.

**ANALYSIS OF THE CENTERS OF EXCELLENCE FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance				\$0
Add revenues				
Transfer from the general fund			\$15,000,000 ¹	
Contingent transfer from the general fund			5,000,000 ²	
Transfer from the general fund			4,450,000 ³	
Transfer from the permanent oil tax trust fund			6,620,541 ⁴	
Investment income			20,809	
Total revenues				31,091,350
Total available				\$31,091,350
Less expenditures and transfers				
Legal fees - Attorney General's office			\$2,240 ⁵	
Centers of excellence grants			18,138,418	
Economic impact studies			33,000 ⁵	
Centers of Excellence Summit			15,000 ^{5,6}	
Other administrative expenses			10,000 ⁵	
Total expenditures and transfers				18,198,658
Ending balance				\$12,892,692 ⁷

¹The 2009 Legislative Assembly appropriated \$15 million from the general fund for transfer to the centers of excellence fund for providing funding to centers of excellence for the 2009-11 biennium.

²The Legislative Assembly provided a contingent general fund appropriation of \$5 million for transfer to the centers of excellence fund for providing additional centers of excellence funding for the 2009-11 biennium. The Office of Management and Budget may transfer this funding only if actual general fund revenues for the period July 1, 2009, through December 1, 2009, exceed estimated general fund revenues for that period by at least \$5 million, as determined by the Office of Management and Budget, based on the legislative estimates made at the close of the 2009 legislative session. The conditions have been met and the transfer was made.

³The 2009 Legislative Assembly in House Bill No. 1015 provided \$4,450,000 from the general fund for transfer to the centers of excellence fund for 2007-09 centers of excellence awarded but not distributed project funding.

⁴The 2009 Legislative Assembly in Section 27 of Senate Bill No. 2018 authorized the Department of Commerce to continue any unspent funds appropriated for the centers of excellence program for the 2007-09 biennium to the 2009-11 biennium. The Office of Management and Budget was to transfer any unexpended funds from these appropriations to the centers of excellence fund at the end of the 2007-09 biennium. Pursuant to this directive, the Office of Management and Budget transferred \$6,620,541, the amount remaining from the \$15 million appropriation for the 2007-09 biennium, from the permanent oil tax trust fund to the centers of excellence fund.

⁵North Dakota Century Code Section 15-69-05(6) limits funds used for administrative expenses to 2.5 percent of the funds appropriated for the program for that biennium. The 2009 Legislative Assembly appropriated a total of \$20 million for the program for the 2009-11 biennium. Therefore, administrative expenses are limited to \$500,000 for the 2009-11 biennium.

⁶The Centers of Excellence Summit was a forum held in Fargo on May 27, 2010. Section 15-69-05(6) authorizes the commission to spend a portion of its administrative costs for centers of excellence forums.

⁷The ending balance of \$12,892,692 is expected to be obligated for centers of excellence proposals approved in the 2009-11 biennium and previous bienniums.

FUND HISTORY

North Dakota Century Code Section 15-69-06 (2009 Senate Bill No. 2018) establishes a centers of excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of excellence program. Interest earned on money in the fund is retained in the fund.

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual ¹		2009-11 Biennium Estimated ¹	
Beginning balance		\$260,267		\$155,044
Add revenues				
Investment income	\$1,973,834		\$1,294,202	
School construction loan income	1,389,841		1,472,633	
Oil, gas, and coal impact loan income	198,955			
Total revenues		3,562,630		2,766,835
Total available		\$3,822,897		\$2,921,879
Less expenditures and transfers				
Investment expense	\$101,981		\$88,859	
Administrative expenses	9,763		14,820	
Transfer to the general fund	3,556,108		2,800,000	
Total expenditures and transfers		3,667,853		2,903,679
Ending balance		\$155,044		\$18,200

¹The beginning and ending balances do not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code Section 57-62-02 and Section 21, Article X, of the Constitution of North Dakota. As of February 28, 2010, the total value of permanent fund assets was \$63.3 million, of which \$32.4 million was school construction loans receivable, \$4.8 million was coal impact loans receivable, and \$26.1 million was either invested or was a receivable of investment or other earnings.

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

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$59,211. The decrease in the estimated balance of \$41,011 is a result of the actual July 1, 2009, balance being \$247,455 less than estimated and revised 2009-11 revenue estimates being \$379,735 less than originally estimated. The net effect of a larger than estimated transfer to the general fund in the 2007-09 biennium and a decrease in school construction loans resulted in less income for the coal development trust fund. As a result, the transfer to the general fund for the 2009-11 biennium is expected to be \$600,000 less than projected by the 2009 Legislative Assembly.

FUND HISTORY

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

Section 57-62-02 provides that 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides that the Board of University and School Lands shall administer the fund and use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million.

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

**ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
	Beginning balance		\$2,392,943	
Add revenues and general fund transfers				
Transfers to date from the tobacco settlement trust fund	\$6,149,540 ¹		\$2,081,687 ¹	
Projected remaining transfers from the tobacco settlement trust fund			2,194,059	
Contingent general fund transfer			807,125 ²	
Total revenues		6,149,540 ³		5,082,871 ³
Total available		\$8,542,483		\$6,382,250
Less expenditures and transfers				
State Department of Health (2007 HB 1004; 2009 SB 2004; 2009 SB 2227)				
Tobacco prevention and control	\$4,671,731 ⁴		\$864,000 ^{4,18}	
Dentists' loan program	356,896 ⁵		468,448 ⁵	
Community health grant programs	173,142 ⁶			
Community Health Grant Program Advisory Committee	66,302 ⁶			
Tobacco Quitline	1,090,097 ⁷		2,433,000 ^{7,18}	
Tobacco cessation coordinator and operating expenses	119,833 ⁸		130,000 ^{8,18}	
Physician and medical loan repayment program	39,570 ⁹		97,500 ⁹	
Veterinarian loan repayment program			295,000 ¹⁰	
Women's Way program			304,332 ¹¹	
Stroke registry and prevention program			472,700 ¹²	
Colorectal cancer screening initiative, including carryover authority pursuant to Section 9 of 2009 SB 2004	111,767 ¹³		338,233 ¹³	
Emergency medical services grants	300,000 ¹⁴		300,000 ¹⁴	
Dental grant program (2007 SB 2152)	¹⁵		10,000 ¹⁵	
Governor's office				
Governor's Prevention and Advisory Council (2007 SB 2276)	99,862 ¹⁶			
Department of Human Services				
Breast and cervical cancer assistance (2007 SB 2012; 2009 HB 1012)	213,904 ¹⁷		669,037 ¹⁷	
Total expenditures and transfers		7,243,104		6,382,250
Ending balance		\$1,299,379		\$0

¹For the 2009-11 biennium, two transfers totaling \$2,081,687 have been made from the tobacco settlement trust fund as of May 2010. Total transfers of \$27,898,754 have been made from the tobacco settlement trust fund to the community health trust fund.

²Contingent general fund transfer - Section 4 of 2007 Senate Bill No. 2004 provides for a general fund transfer of up to \$2,405,371 to the community health trust fund if money in the community health trust fund is not sufficient to provide for legislative appropriations for the biennium beginning July 1, 2009, and ending June 30, 2011. The department anticipates expenditures in loan repayment programs and breast and cervical cancer assistance payments will be lower than amounts appropriated and expects to use all funding available, including the balance from the 2007-09 biennium of \$1,299,379, prior to transferring funding from the general fund. As a result, the department anticipates general fund transfers necessary to meet anticipated expenditures will total \$807,125.

³Revenues - Interest earned on the community health trust fund is deposited in the state general fund.

In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect full payment. Due to the uncertainty of the lawsuit, the Office of Management and Budget has reduced the estimated tobacco settlement revenues for the 2009-11 biennium by 3 percent. The community health trust fund share of the 3 percent reduction is \$221,062 for the 2009-11 biennium.

Initiated measure No. 3, approved by voters in the November 2008 general election, amends North Dakota Century Code Section 54-27-25 to provide that a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, will be deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729. Remaining community health trust fund revenues have been estimated based on the Office of Management and Budget revised estimated collections less anticipated strategic contribution payments of \$13,797,729 per year, which was the actual amount of the 2008 strategic contribution payment. The measure provides that at least 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

Initiated measure No. 3 will result in the following estimated allocation of the revised estimated collections for tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A	\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million	11.3 million	11.3 million	2.5 million
Estimated 2009-11 biennium	68.8 million	26.1 million	19.2 million	19.2 million	4.3 million
Estimated 2011-13 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2013-15 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2015-17 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	\$575.5 million	\$123.0 million	\$203.7 million	\$203.7 million	\$45.1 million

⁴Section 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 an emphasis on preventing or reducing tobacco usage. The 2009 Legislative Assembly appropriated \$2.3 million, \$2.4 million less than the 2007-09 biennium appropriation, to the State Department of Health for tobacco prevention and control programs. The department does not anticipate using the entire appropriation for the 2009-11 biennium, as most tobacco prevention control grants will be provided directly by the Tobacco Prevention and Control Executive Committee.

⁵The dentists' loan repayment program, which is administered by the Health Council, was established in 2001 Senate Bill No. 2276 (Chapter 43-28.1). Each year the 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, not to exceed a total of \$80,000 per applicant, for the repayment of their educational loans. The funds are payable over a four-year period (\$20,000 per year). The dental loan repayment program is to provide the highest priority for acceptance into the program to dentists willing to serve the smallest and most underserved communities in North Dakota. Senate Bill No. 2152 (2007) provides that a dentist practicing in Bismarck, Fargo, or Grand Forks must have received dental medical payments of at least \$20,000 in the form of medical assistance reimbursement or practiced at least two full workdays per week at a public health clinic or nonprofit dental clinic in order to qualify for the dentists' loan repayment program. Dentists accepted into the program per biennium include:

Biennium (Number of Dentists Accepted Into Program)	Communities Served
2001-03 biennium (3)	Minot (2) Larimore
2003-05 biennium (6)	Fargo Community Health Center New Rockford Grand Forks Fargo Bismarck West Fargo
2005-07 biennium (4)	Fargo Community Health Center Bismarck (serving special populations) Mott Minot
2007-09 biennium (6)	Park River Bismarck Grand Forks Cando/Devils Lake Rugby Wishek
2009-11 biennium (3 to date)	Bismarck Jamestown Larimore

In addition, the 2009 Legislative Assembly provided, in Senate Bill No. 2358, an appropriation of \$180,000 from the general fund for a loan repayment program for dentists in public health and nonprofit dental clinics. The bill created a new section to Chapter 43-28.1 and provides that if funds are appropriated, the Health Council is to select up to three dentists who provide or will provide dental services for three years in a public health clinic or nonprofit dental clinic that uses a sliding fee schedule to bill patients for loan repayment grants. The grant award is \$60,000 per recipient and is paid over a two-year period. The department has accepted two dentists into the program and it is anticipated that one additional dentist will be added during the 2009-11 biennium. The department anticipates the entire \$180,000 general fund appropriation will be expended.

⁶The community health grant program was established in 2001 Senate Bill No. 2380 (Section 23-38-01) with the intent to prevent or reduce tobacco usage. The Community Health Grant Program Advisory Committee is to advise the State Department of Health regarding the community health grant program. The 2007 Legislative Assembly authorized \$360,000 for tobacco cessation grants (\$260,000) and the Community Health Grant Program Advisory Committee (\$100,000). The grants to cities and counties for cessation programs are to be matched with \$1 of local funds for every \$3 of state funds. The 2009 Legislative Assembly did not include funding for the community health grant program.

⁷The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly appropriated \$1,069,000, an increase of \$185,000 from the 2005-07 biennium appropriation of \$884,000, to operate the quitline for the 2007-09 biennium. The 2007 Legislative Assembly increased the funding for the quitline to provide nicotine replacement therapy and cessation counseling. The 2009 Legislative Assembly appropriated \$1,069,000 to fund the quitline for the 2009-11 biennium, the same as the 2007-09 biennium appropriation. The department anticipates spending \$2,433,000 for the quitline for the 2009-11 biennium. The department is using unexpended appropriation authority from the tobacco prevention and control programs for the additional expenditures

⁸The 2007 Legislative Assembly authorized 1 FTE tobacco prevention coordinator position and related funding for salaries and wages (\$117,101) and operating expenses (\$22,296) for the position. The 2009 Legislative Assembly appropriated \$139,397 for the tobacco prevention coordinator position, the same as the 2007-09 biennium appropriation.

⁹Chapter 43-17.2 provides for the state community matching physician loan repayment program. A qualifying physician may receive up to \$22,500 per year for up to two years for a total of \$45,000. Section 43-12.2-01 provides for mid-level practitioners to receive up to \$2,500 per year for up to four years for a total of \$10,000. Communities must contribute an amount at least equal to the amount of the state contribution for the physicians and mid-level practitioners. The 2007 Legislative Assembly appropriated \$150,000 from the community health trust fund for this program. The total 2007-09 biennium funding for this program is \$75,000 from the general fund and \$150,000 from the community health trust fund. The 2009 Legislative Assembly appropriated \$75,000 from the general fund and \$272,500 from the community health trust fund for the program, including \$67,500 provided in Senate Bill No. 2227 which removes the limit on the number of recipients and increases the limit on the maximum loan repayment from \$10,000 to \$30,000 for the medical personnel loan repayment program relating to mid-level practitioners. Physicians and mid-level practitioners accepted into the program per biennium include:

Biennium (Number of Physicians Accepted Into Program)	Communities Served
2007-09 biennium (4)	Dickinson (2) Devils Lake Wishek
2009-11 biennium (1 to date)	Wahpeton

Biennium (Number of Mid-Level Practitioners Accepted Into Program)	Communities Served
2007-09 biennium (3 to date)	Grafton Turtle Lake/McClusky Williston/Bowman
2009-11 biennium (none to date)	

¹⁰The 2009 Legislative Assembly appropriated \$350,000 from the community health trust fund for the veterinarian loan repayment program, \$250,000 more than the 2007-09 biennium appropriation from the general fund.

¹¹The 2009 Legislative Assembly provided \$404,332 for the Women's Way program, of which \$304,332 is from the community health trust fund and \$100,000 is from the general fund. The 2009-11 appropriation is \$304,332 more than the 2007-09 biennium appropriation of \$100,000 from the general fund.

¹²The 2009 Legislative Assembly appropriated \$472,700 from the community health trust fund for a stroke registry and prevention program.

¹³The 2007 Legislative Assembly appropriated \$150,000 from the community health trust fund and \$50,000 from the general fund for a grant to the North Dakota Cancer Coalition to provide for a colorectal cancer screening initiative. The 2009 Legislative Assembly provided in Section 9 of Senate Bill No. 2004 that any unexpended funds from the 2007-09 appropriation may be expended during the 2009-11 biennium and appropriated an additional \$300,000 from the community health trust fund for grants to continue the current program and to provide a colorectal cancer screening pilot initiative for low-income underinsured and uninsured men and women aged 50 to 64 living in counties with a population exceeding 15,000, including \$34,225 for the department to contract for program management, data management, and outreach oversight. Unexpended funds from the 2007-09 biennium appropriation totaled \$38,233, and the department anticipates spending these carryover funds in addition to the \$300,000 appropriated for the 2009-11 biennium.

¹⁴The 2007 Legislative Assembly appropriated \$300,000 from the community health trust fund for emergency medical services training grants. The 2009 Legislative Assembly appropriated \$300,000 for emergency medical services training grants, the same as the 2007-09 biennium appropriation.

¹⁵Senate Bill No. 2152 (2007) provides for a dental grant program. A dentist who has graduated from an accredited dental school within the previous five years and is licensed to practice in North Dakota may submit an application to the Health Council for a grant for the purpose of establishing a dental practice in North Dakota cities with a population of 7,500 or less. The Health Council may award a maximum of two grants per year with a maximum grant award of \$50,000 per applicant to be used for buildings, equipment, and operating expenses. The community in which the dentist is located must provide a 50 percent match. The grant must be distributed in equal amounts over a five-year period, and the dentist must commit to practice in the community for five years. The 2007 Legislative Assembly appropriated \$60,000 for the dental grant program; however, none of the funds were expended for the program in the 2007-09 biennium. The 2009 Legislative Assembly appropriated \$10,000 from the community health trust fund for the dental grant program, \$50,000 less than the 2007-09 appropriation of \$60,000.

¹⁶Senate Bill No. 2276 (2007) provided an appropriation from the community health trust fund to the Governor for the Governor's Prevention and Advisory Council. The 2009-11 executive budget recommendation provided funding of \$200,000 from the general fund to the Department of Human Services (2009 House Bill No. 1012) for the Governor's Prevention and Advisory Council. The 2009 Legislative Assembly reduced this funding to \$100,000 from the general fund.

¹⁷The 2007 Legislative Assembly appropriated \$213,904, a decrease of \$40,452 from the 2005-07 biennium appropriation of \$254,356, to the Department of Human Services for providing the state matching funds for medical assistance coverage for women screened and found to have breast and cervical cancer. The 2009 Legislative Assembly appropriated \$790,015 for breast and cervical cancer assistance for the 2009-11 biennium, \$576,111 more than the 2007-09 appropriation.

¹⁸Initiated measure No. 3 provides that at least 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. Based on the estimated 2009-11 biennium transfers to the community health trust fund from the tobacco settlement trust fund of \$4,275,746, a minimum of \$3,420,596 (80 percent) is to be provided for tobacco prevention and control. Using the anticipated expenditures of \$864,000 for tobacco prevention and control, \$2,433,000 for the Tobacco Quitline, and \$130,000 for the tobacco cessation coordinator and operating expenses, the anticipated expenditures for the 2009-11 total \$3,427,000 or 80.1 percent of the transfers to the community health trust fund from the tobacco settlement trust fund.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$926,086. The decrease in the estimated balance of \$926,086 is due to transfers of funding from the general fund to the community health trust fund only to the extent necessary to cover expenditures after the balance from the 2007-09 biennium has been exhausted and current biennium revenues are not sufficient to provide for anticipated expenditures.

FUND HISTORY

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

- 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.

In the November 2008 general election voters approved initiated measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will be deposited beginning in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides that 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control.

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

ANALYSIS OF THE ELECTRONIC HEALTH INFORMATION EXCHANGE FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$0		\$0
Add revenues				
Transfer from Bank of North Dakota	\$0		\$0 ¹	
Grant from the Office of the National Coordinator for Health Information Technology	0		5,343,733 ²	
Total revenues		0		5,343,733
Total available		\$0		\$5,343,733
Less expenditures and transfers				
Implementing a statewide health information technology and exchange network	\$0		\$0 ³	
Total expenditures and transfers		0		0
Ending balance		\$0		\$5,343,733

¹Section 8 of 2009 Senate Bill No. 2332 provides that the Industrial Commission transfer, during the 2009-11 biennium, as requested by the Health Information Technology Office director, up to \$8 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the health information technology loan fund to meet any required match for federal funds or to the electronic health information exchange fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds. The Health Information Technology Office director is to request fund transfers from the Bank only as necessary to comply with federal requirements and to meet cashflow needs of the funds. As of June 2010 the Health Information Technology Office director has not yet requested a transfer from the Bank.

²In March 2010 the Information Technology Department was awarded a four-year grant totaling \$5,343,733 from the Office of the National Coordinator for Health Information Technology for implementing a statewide health information technology and exchange network. Of the \$5,343,733, \$534,373 is for planning, \$2,926,974 is for intrastate implementation, and \$1,882,386 is for interstate implementation. Matching requirements for the grants are:

Year 1	\$0 of state funds for each federal dollar
Year 2	\$1 of state funds for each \$10 of federal dollars
Year 3	\$1 of state funds for each \$7 of federal dollars
Year 4	\$1 of state funds for each \$3 of federal dollars

³As of June 2010 the Health Information Technology Office does not have an estimate of the amount of funds to be spent during the 2009-11 biennium for implementing a statewide health information technology and exchange network.

FUND HISTORY

North Dakota Century Code Section 54-59-27 (2009 Senate Bill No. 2332) establishes an electronic health information exchange fund. The fund consists of the money deposited in the fund from federal or other sources or money transferred into the fund as directed by the Legislative Assembly. The Health Information Technology Office is to administer the fund. The money in the fund is to be used to facilitate and expand electronic health information exchange. Money in the fund may be used, subject to legislative appropriations, to provide services directly, for grants, and for costs of administration of the fund.

An application for a grant must be made to the Health Information Technology Office. The Health Information Technology Office is to determine the applicant's eligibility based upon criteria established by the Health Information Technology Office director, in collaboration with the Health Information Technology Advisory Committee.

**ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$979,801		\$1,358,407
Add estimated revenues				
Pesticide registration fees	\$3,499,066 ¹		\$3,885,000 ¹	
Transfer from general fund (2007 SB 2009)	150,000 ²			
Transfer from pesticide enforcement fund (2007 SB 2009)	50,000 ³			
Weed seed-free forage (2009 HB 1270)	1,062		48,922 ⁶	
Total estimated revenues		3,700,128		3,933,922
Total available		\$4,679,929		\$5,292,329
Less estimated expenditures and transfers				
Agriculture Commissioner				
Noxious weed control (2007 SB 2009; 2009 HB 1009)	\$1,530,517		\$1,794,069	
Pesticide disposal project (Safe Send) (2007 SB 2009; 2009 HB 1009)	540,912		609,346	
Pesticide programs (2007 SB 2009; 2009 HB 1009)	400,658		909,700	
Agriculture in the Classroom project (2007 SB 2009; 2009 HB 1009)	107,019		110,000	
Farmer's market	31,225		29,500	
Endangered species (2007 SB 2009; 2009 HB 1009)	141,761		287,041	
Blackbird research (2007 SB 2179)	79,500			
Livestock pollution prevention (2009 HB 1009)			50,000	
Crop Protection Product Harmonization and Registration Board ⁴				
Crop protection product registration, labeling, and grants (2007 SB 2009; 2009 HB 1009)	23,811		50,000	
Minor use pesticide registration (2007 SB 2009)	200,000 ⁵			
Weed seed-free forage (2009 HB 1270; 2009 HB 1009)			48,922 ⁶	
State Department of Health				
Ground water testing (2007 HB 1004; 2009 SB 2004)	216,119		222,310	
North Dakota Stockmen's Association environmental services program (2007 HB 1004; 2009 SB 2004)	50,000		50,000	
Total estimated expenditures and transfers		3,321,522		4,160,888
Estimated ending balance		<u>\$1,358,407</u>		<u>\$1,131,441</u>

¹The 1999 Legislative Assembly approved Senate Bill No. 2009, which included a provision increasing the biennial pesticide registration fee by \$50, from \$300 to \$350, only for the 1999-2001 biennium. The \$350 pesticide registration fee was extended for the 2001-03 biennium (2001 House Bill No. 1009), the 2003-05 biennium (2003 Senate Bill No. 2319), and the 2005-07 biennium (2005 House Bill No. 1009). The \$350 pesticide registration fee was continued, without an expiration date, by 2007 Senate Bill No. 2323. The 2009 Legislative Assembly approved House Bill No. 1009, which deposits all pesticide registration fees in the environment and rangeland protection fund rather than a portion in the general fund. The estimated effect of this change is an additional \$550,000 of deposits in the environment and rangeland protection fund each biennium.

²Transfer from the general fund - Senate Bill No. 2009 (2007) provided for a transfer of \$150,000 from the general fund to the environment and rangeland protection fund for the endangered species program for the 2007-09 biennium.

³Transfer from the pesticide enforcement fund - Senate Bill No. 2009 (2007) provided for a transfer of \$50,000 from the North Dakota State University Extension Service pesticide enforcement fund to the environment and rangeland protection fund for the endangered species program for the 2007-09 biennium.

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

- Identifying and prioritizing crop protection product labeling needs.
- Exploring the extent of authority given to North Dakota under the federal Insecticide, Fungicide, and Rodenticide Act.
- Identifying the data necessary to enable registration of a use to occur in a timely manner.
- Determining what research, if any, is necessary to fulfill data requirements for responsibilities of the board.
- Requesting the Agriculture Commissioner to pursue specific research funding options from public and private sources.
- Requesting the Agricultural Experiment Station to pursue specific research to coordinate registration efforts.
- Pursuing any opportunities to make more crop protection product options available to agriculture producers in this state through any means the board determines advisable.
- Administering a grant program through which agriculture commodity groups may apply for funds to be used to address issues related to the registration of crop protection products.

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

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

⁵This amount was transferred to the minor use pesticide fund and appropriated to the Crop Protection Product Harmonization and Registration Board on a continuing basis. House Bill No. 1328 (2001) changed the control of the minor use pesticide fund from the Agriculture Commissioner to the Crop Protection Product Harmonization and Registration Board.

⁶House Bill No. 1270 (2009) allows the Agriculture Commissioner to certify forage acreage as being free of certain weeds and weed seed. The appropriation provided to the department for the program is the amount that is anticipated to be received from fees charged for certifications.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$270,107. The increase in the estimated balance of \$861,334 is primarily due to increased numbers of pesticide products registered in the state.

FUND HISTORY

North Dakota Century Code Section 19-18-02.1, created by 1991 Senate Bill No. 2451, establishes the environment and rangeland protection fund. The fund contains collections from pesticide registration fees. During the 2007-09 biennium, the biennial fee was \$350 per pesticide product registered in the state. Of this amount, \$300 was deposited in the environment and rangeland protection fund and \$50 in the general fund. Pursuant to provisions of 2009 House Bill No. 1009, beginning with the 2009-11 biennium, the entire pesticide registration fee is deposited in the environment and rangeland protection fund rather than a portion in the general fund.

**ANALYSIS OF THE FIRE AND TORNADO FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$28,222,236		\$21,504,828
Add estimated revenues				
Premium collections	\$6,544,857		\$13,000,000	
Investment income	(3,564,114) ¹		6,000,000	
Boiler inspection fees	354,376		350,000	
Loss claims and insurance recoveries	7,879,970		300,000	
Anhydrous ammonia storage facility inspection fund (2007 SB 2010; 2009 HB 1010)	97,079		150,000	
Total estimated revenues		11,312,168		19,800,000
Total available		\$39,534,404		\$41,304,828
Less estimated expenditures and transfers				
Loss claims payments	\$12,292,420		\$5,000,000	
Claims-related payments	3,860,820		3,856,337	
Insurance Department administration and anhydrous ammonia inspection costs	1,444,220		1,746,267	
State Fire Marshal program (2007 SB 2003; 2009 HB 1003)	262,116		310,000	
North Dakota Firefighters Association grant (2007 SB 2010; 2009 HB 1010)	170,000		170,000	
Total estimated expenditures and transfers		18,029,576		11,082,604
Estimated ending balance		\$21,504,828		\$30,222,224

¹The fire and tornado fund had a decline in investment value of 9.85 percent for fiscal year 2009.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$20,135,335. The increase in the estimated balance of \$10,086,889 is primarily due to higher than anticipated premium collections and investment revenue.

FUND HISTORY

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

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
Beginning balance		\$29,009,838		\$65,750,547
Add revenues				
Oil extraction tax allocations	\$36,740,709		\$37,822,973 ¹	
Total available		36,740,709		37,822,973
Less expenditures and transfers				
Transfer to foundation aid program	\$0 ²		\$0 ²	
Ending balance		\$65,750,547		\$103,573,520

¹Estimated revenues - Based on actual oil extraction tax collections transferred to the fund through March 2010 and estimated allocations for the remainder of the 2009-11 biennium per the February 2009 revenue forecast.

²Estimated expenditures - As provided in Section 24, Article X, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. There were no foundation aid reductions as a result of a revenue shortfall in the 2007-09 biennium and no foundation aid reductions are currently anticipated for the 2009-11 biennium.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$88,236,477. The increase in the estimated balance of \$15,337,043 is due to the increased oil activity resulting in the actual July 1, 2009, balance of \$65,750,547 being \$2,406,241 more than the July 1, 2009, balance estimated at the close of the 2009 legislative session of \$63,344,306 and the 2009-11 estimated revenues of \$37,822,973 being \$12,930,802 more than originally projected revenues of \$24,892,171.

FUND HISTORY

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

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

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

Section 24, Article X, of the Constitution of North Dakota, provides that the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. Interest from the foundation aid stabilization fund allocated to the general fund during the 2007-09 biennium totaled \$1,238,870. For the period July 1, 2009, through April 30, 2010, \$208,938 of interest from the foundation aid stabilization fund has been allocated to the general fund.

ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$2,821,191		\$3,484,946
Add revenues				
Investment earnings	\$136,644		\$40,687	
Loan repayments - Principal and interest	1,131,466		1,011,095	
Total revenues		1,268,110		1,051,782
Total available		\$4,089,301		\$4,536,728
Less expenditures and transfers				
State Department of Health				
Quick response unit pilot project (2007 HB 1004; 2009 SB 2004)	\$5,000 ¹		\$50,000 ¹	
State trauma system evaluation (2007 HB 1290)	73,758 ²			
Department of Human Services				
Nursing home inflationary increases (medical assistance program) (2007 SB 2012)	525,597			
Nursing facilities (medical assistance program) (2009 HB 1012)			4,124,506	
Remodeling of a nursing facility to assisted living and basic care grant (2009 HB 1327)			200,000	
Total expenditures and transfers		604,355		4,374,506
Ending balance		\$3,484,946		\$162,222

¹The Legislative Assembly appropriated \$125,000 from the health care trust fund for the State Department of Health quick response unit pilot project for both the 2007-09 and 2009-11 bienniums. The department spent \$5,000 of the \$125,000 appropriation for the 2007-09 biennium, and the department anticipates spending \$50,000 of the \$125,000 appropriation for the 2009-11 biennium.

²The 2007 Legislative Assembly appropriated \$75,000 from the health care trust fund to the State Department of Health for an evaluation of the state trauma system. The department completed the assessment in April 2008 for a total cost of \$73,758.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$25,607. The increase in the estimated balance of \$143,640 is due to the actual beginning balance for the 2009-11 biennium of \$3,484,946 being \$143,640 more than estimated at the close of the 2009 legislative session. The actual beginning balance for the 2009-11 biennium was more than the previous estimate due primarily to actual expenditures for the 2007-09 biennium being less than estimated.

NOTE: Section 24 of 2009 House Bill No. 1012 amends North Dakota Century Code Section 50-30-02 to provide that money in the health care trust fund may not be included in draft appropriation acts under Section 54-44.1-06.

FUND HISTORY

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 was 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 governmental nursing facilities--McVille and Dunseith. Payments were made based on the average amount Medicare rates exceeded 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 were available for these payments and required a state match. Payments were made to the two governmental nursing facilities and were subsequently returned to the state, less a \$50,000 transaction fee retained by each of the two governmental nursing

facilities. Once returned to the state, the state's matching share was returned to its source, and the federal funds were 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 eliminated this intergovernmental transfer program. As a result, North Dakota's final intergovernmental transfer payments were received in July 2004.

ANALYSIS OF THE HEALTH INFORMATION TECHNOLOGY LOAN FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$0		\$0
Add revenues				
Transfer from Bank of North Dakota	\$0		\$0 ¹	
Total revenues		0		0
Total available		\$0		\$0
Less expenditures and transfers				
Loans to health care providers and other purposes	\$0		\$0 ²	
Total expenditures and transfers		0		0
Ending balance		\$0		\$0

¹Section 8 of 2009 Senate Bill No. 2332 provides that the Industrial Commission transfer, during the 2009-11 biennium, as requested by the Health Information Technology Office director, up to \$8 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the health information technology loan fund to meet any required match for federal funds or to the electronic health information exchange fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds. The Health Information Technology Office director is to request fund transfers from the Bank only as necessary to comply with federal requirements and to meet cashflow needs of the funds. As of June 2010 the Health Information Technology Office director has not yet requested a transfer from the Bank.

²As of June 2010 the Health Information Technology Office does not have an estimate of the amount of funds to be spent during the 2009-11 biennium for loans to health care providers to purchase and upgrade electronic health record technology, train personnel in its use, improve security of information technology exchange, and for other purposes as established by the Health Information Technology Office.

FUND HISTORY

North Dakota Century Code Section 6-09-42 (2009 Senate Bill No. 2332) establishes a health information technology loan fund at the Bank of North Dakota for providing loans to health care providers to purchase and upgrade electronic health record technology, train personnel in its use, improve security of information technology exchange, and for other purposes as established by the Health Information Technology Office, in collaboration with the Health Information Technology Advisory Committee. This fund is a revolving loan fund. All money transferred into the fund, interest upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for disbursement. Annually, the Bank may deduct a service fee for administering the revolving loan fund.

An application for a loan must be made to the Health Information Technology Office. The Health Information Technology Office director, in collaboration with the Health Information Technology Advisory Committee, may approve the application of a qualified applicant that meets the criteria established by the Health Information Technology Office director. The Health Information Technology Office is to forward approved applications to the Bank. Upon approval of the application by the Bank, the Bank is to make the loan from the revolving fund. A loan made under this fund must be repayable over a period that may not exceed 10 years.

ANALYSIS OF THE HEALTH INFORMATION TECHNOLOGY PLANNING LOAN FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$0		\$0
Add revenues				
Transfer from Bank of North Dakota current earnings and accumulated undivided profits	\$0		\$5,000,000 ¹	
Total revenues		0		5,000,000
Total available		\$0		\$5,000,000
Less expenditures and transfers				
Loans to health care entities	\$0		\$5,000,000 ²	
Total expenditures and transfers		0		5,000,000
Ending balance		\$0		\$0

¹Section 9 of 2009 Senate Bill No. 2332 provides that if the actual general fund revenues for the period July 1, 2009, through September 30, 2009, exceed estimated general fund revenues for that period by at least \$22.5 million, as determined by the Office of Management and Budget, based on the legislative estimates made at the close of the 2009 legislative session and upon certification by the Health Information Technology Office director to the director of the Office of Management and Budget of a demonstrated need for health information technology planning loans, the Industrial Commission is to transfer up to \$5 million from the current earnings and the accumulated undivided profits of the Bank of North Dakota to the health information technology planning loan fund. The Health Information Technology Office director is to request fund transfers from the Bank only as necessary to comply with federal requirements and to meet cashflow needs of the funds. The conditions have been met and the Health Information Technology Office director requested the \$5 million be transferred into the fund.

²The Health Information Technology Advisory Committee has approved the following loan applications:

St. Andrew's Health Center (Bottineau)	\$361,149
Cooperstown Medical Center	358,176
Wishek Hospital	361,149
Towner County Medical Center (Cando)	694,911
Presentation Medical Center (Rolla)	300,701
West River Health Services (Hettinger)	722,350
Ashley Medical Center	586,880
Tioga Medical Center	501,203
St. Luke's Community Hospital and Clinics (Crosby)	541,776
Midgarden Family Clinic (Park River)	101,590
7-Day Clinic Walk-in Express Care (Fargo)	50,000
Linton Hospital	420,115
Total	\$5,000,000

FUND HISTORY

North Dakota Century Code Section 6-09-43 (2009 Senate Bill No. 2332) establishes a health information technology planning loan fund at the Bank of North Dakota for providing low-interest loans to health care entities to assist those entities in improving health information technology infrastructure. This fund is a revolving loan fund. All money transferred into the fund, interest upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for disbursement. Annually, the Bank may deduct a service fee for administering the revolving loan fund.

An application for a loan must be made to the Health Information Technology Office. The Health Information Technology Office director, in collaboration with the Health Information Technology Advisory Committee, may approve the application of a qualified applicant that meets the criteria established by the Health Information Technology Office director. The Health Information Technology Office is to forward approved applications to the Bank. Upon approval of the application by the Bank, the Bank is to make the loan from the revolving loan fund.

**ANALYSIS OF THE LANDS AND MINERALS TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance - July 1, 2009		\$14,056,683		\$32,586,643
Add estimated revenues				
Production royalties	\$23,017,314		\$44,636,219	
Mineral leases	382,874		440,874	
Oil and gas bonuses	10,915,471		106,223,197	
Investment earnings	1,416,649		5,186,431	
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	953,784		697,400	
Total estimated revenues		36,686,092		157,184,121
Total available		\$50,742,775		\$189,770,764
Less estimated expenditures and transfers				
Payments to common schools trust fund - Developmentally disabled loan fund Nos. 2 and 3 (2005 SB 2013 - continuing appropriation)	\$1,417,504 ¹		\$697,354 ¹	
Industrial Commission - Oil and Gas Division contingency (2007 HB 1014; 2009 SB 2014)	248,186 ²		515,207 ²	
Transfer to the general fund (2007 HB 1014; 2009 SB 2013)	15,000,000		35,000,000	
Office of Management and Budget - Heritage Center expansion (2007 SB 2341)	1,000,164 ³		499,835 ³	
State Historical Society - Cold War missile sites (2007 SB 2018)	250,000			
Administrative costs/other fees	240,278		997,075	
Restricted fund income			13,199,731 ⁴	
Total estimated expenditures and transfers		18,156,132		50,909,202
Estimated ending balance - June 30, 2011		<u>\$32,586,643</u>		<u>\$138,861,562</u>

¹Payments to common schools trust fund - North Dakota Century Code Section 15-08.1-09 provides an annual continuing appropriation from the lands and minerals trust fund of the amount necessary to make payments of principal and interest to the common schools trust fund for loans made to developmentally disabled loan fund Nos. 2 and 3.

²Industrial Commission - Department of Mineral Resources contingency - House Bill No. 1014 (2007) provides a \$285,000 contingency appropriation from the lands and minerals trust fund to the Oil and Gas Division for the purpose of hiring, upon Emergency Commission approval, up to 2 FTE positions if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period. The Emergency Commission approved a transfer of \$285,000 at its March 14, 2008, meeting. The division spent \$248,186 of the \$285,000 available for the 2007-09 biennium. Senate Bill No. 2014 (2009) provides a \$515,207 contingency appropriation from the lands and minerals trust fund. If funds are required due to the average drilling rig count exceeding 100 active rigs for each month in any consecutive three-month period, the Oil and Gas Division may spend \$319,041 of these funds and hire up to 2 FTE positions, upon Emergency Commission approval. If funds are required due to receipt of an application for solution mining of potash or uranium, the Geological Survey Division may spend \$196,166 of these funds and hire up to 1 FTE position, upon Emergency Commission approval. The division anticipates spending \$515,207 for the 2009-11 biennium.

³Office of Management and Budget - Senate Bill No. 2341 (2007) provided a contingent appropriation of \$1.5 million from the lands and minerals trust fund to the Office of Management and Budget for the Heritage Center expansion project. The appropriation was only available when the State Historical Society certified to the Office of Management and Budget that \$1.5 million of other funds had been received or pledged for the project. The State Historical Society certified to the Office of Management and Budget in May 2007 that \$1.5 million of other funds had been received or pledged for the project. The Office of Management and Budget spent \$1,000,164 of the \$1.5 million for the Heritage Center expansion project during the 2007-09 biennium and anticipates spending the remainder of \$499,835 on the project during the 2009-11 biennium, as permitted in Section 54-44.1-11.

⁴These funds represent oil and gas bonus received from areas of the Yellowstone and Missouri Rivers and Lake Sakakawea where mineral rights are in dispute. Based on the outcome of legal settlements, these funds may need to be returned.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$3,684,907. The increase in the estimated balance of \$135,139,841 is primarily due to a \$103,936,040 increase in oil and gas bonuses and a \$35,747,211 in production royalties.

FUND HISTORY

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

**ANALYSIS OF THE LIGNITE RESEARCH FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$11,773,094		\$14,159,546
Add revenues				
Separate two-cent coal severance tax	\$1,199,122		\$1,200,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,372,597		3,375,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,348,944		1,350,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	2,415,420		2,937,440	
Three and one-half percent of the general fund share of coal conversion tax (2007 HB 1093)	1,778,758 ¹		0	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)			2,500,000	
Revenue bonds/short-term loan	0 ²		0 ²	
Interest income and return of funds	926,480		120,000	
Total revenues		11,041,321		11,482,440
Total available		\$22,814,415		\$25,641,986
Less expenditures and transfers ^{3,4}				
Administration	\$360,291		\$750,000	
Lignite feasibility studies (nonmatching grants)	550,000		1,000,000	
Small research grants	1,008,636		1,300,000	
Lignite marketing	1,870,000		1,076,000	
Lignite litigation	83,379		416,621 ⁵	
Demonstration projects	4,782,563		20,386,305	
Total expenditures and transfers		8,654,869		24,928,926 ⁶
Ending balance		\$14,159,546		\$713,060

¹House Bill No. 1093 (2007) provides that 3.5 percent of the general fund share of coal conversion taxes be allocated to the lignite research fund for the period beginning July 1, 2007, and ending June 30, 2009. After June 30, 2009, 5 percent of the general fund share of coal conversion taxes is allocated to the lignite research fund through July 31, 2018.

²Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

³The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration research project can receive more than 37.5 percent of available funds.

⁴The Industrial Commission has waived the fund allocation policy and has committed \$22 million through the 2009-11 biennium, with \$1,360,750 to be spent during the 2003-05 biennium, \$2,243,391 during the 2005-07 biennium, \$2.2 million during the 2007-09 biennium, and \$16,195,859 during the 2009-11 biennium, for the Lignite Vision 21 Project. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

⁵Lignite litigation - House Bill No. 1093 (2007) provides that \$500,000 of the amount allocated to the lignite research fund in Section 1 of the bill is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. Activities associated with the litigation have been initiated with \$83,379 spent during the 2007-09 biennium and \$416,621 anticipated to be spent during the 2009-11 biennium.

⁶The 2009 Legislative Assembly appropriated \$22,971,300 for lignite research grants; however, the Industrial Commission anticipates spending \$24,928,926 for lignite research grants during the 2009-11 biennium. The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$204,520. The increase in the estimated balance of \$508,540 is the net effect of a higher than anticipated July 1, 2009, balance due to a return of grant dollars totaling \$562,500 and delayed requests for project payments.

FUND HISTORY

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

**ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$143,270,662		\$489,727,016
Add revenues				
Oil and gas gross production and extraction tax collections	\$484,256,596		\$488,452,148	
Total revenues		484,256,596		488,452,148 ^{1,2}
Total available		\$627,527,258		\$978,179,164
Less expenditures and transfers				
Transfer to the general fund (2007 SB 2032; 2009 HB 1015)	\$115,000,000		\$140,000,000	
Office of Management and Budget - Centers of excellence (2007 HB 1018)	8,379,459			
Transfer to centers of excellence fund (2009 SB 2018)			6,620,541 ³	
Higher education (2007 HB 1003; 2009 SB 2003)	6,237,557		10,750,000	
Grant assistance payments to tribally controlled community colleges (2007 HB 1395; 2009 HB 1394)	700,000		700,000	
Veterans' Home facility (2007 SB 2418)	6,483,226			
Agricultural research and extension services operating pool (2007 HB 1020)	750,000			
Livestock disaster assistance (2009 HB 1015)	250,000			
Dickinson Research Center (2009 SB 2020)			925,000	
Property tax relief - Transfer to general fund (2009 SB 2199)			295,000,000	
Property tax relief - Transfer to property tax relief sustainability fund (2009 SB 2199)			295,000,000	
Water project grants (2009 HB 1305)			2,792,000	
Prairie Public Broadcasting (2009 HB 1015)			1,008,100	
Total expenditures and transfers		137,800,242		752,795,641
Ending balance		\$489,727,016		\$225,383,523

¹Estimated collections reflect actual collections of \$179,436,555 through April 2010 and **original legislative projections** of \$309,015,593 for the remainder of the biennium.

²Oil extraction tax incentive rates under North Dakota Century Code Chapter 57-51.1 did not become effective on May 1, 2009, as anticipated in the February 2009 legislative forecast. As a result, oil extraction tax rate incentives approved by the 2009 Legislative Assembly in House Bill No. 1235 became effective. The net effect of these two changes, if they do not change again prior to June 30, 2011, is estimated to increase permanent oil tax trust fund revenues by \$16.5 million for the period beginning May 1, 2009, and ending June 30, 2011. The amount shown does not reflect this estimated increase. Due to increases in oil prices, the extraction tax incentives provided in 2009 House Bill No. 1235 are effective only for well completion through October 31, 2009. Depending on oil prices, the incentive rates under Chapter 57-51.1 could become effective in October 2010.

The forecasted oil tax revenue collections are based on a number of factors, including tax rate incentives and exemptions, oil prices, oil production, etc. Actual prices, production, and other factors throughout the 2009-11 biennium could increase or decrease actual oil tax revenue collections by amounts that increase or decrease the \$16.5 million discussed above.

³Section 27 of 2009 Senate Bill No. 2018 allows the Department of Commerce to continue any unspent funds appropriated for the centers of excellence program for the 2007-09 biennium to the 2009-11 biennium. The Office of Management and Budget is to transfer any unexpended funds from the appropriations to the centers of excellence fund at the end of the 2007-09 biennium. Pursuant to this directive, the Office of Management and Budget transferred \$6,620,541, the amount remaining from the \$15 million appropriation for the 2007-09 biennium, from the permanent oil tax trust fund to the centers of excellence fund.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$51,758,047. The increase in the estimated balance of \$173,625,476 is due to the actual July 1, 2009, balance of \$489,727,016 being \$14,885,869 more than the July 1, 2009, balance estimated at the close of the 2009 legislative session of \$474,841,147 and 2009-11 revised estimated revenues being \$165,360,148 more than the previous estimate of \$323,092,000 due to increased oil production and oil prices.

FUND HISTORY

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 all revenues deposited in the general fund during a biennium and derived from taxes imposed on oil and gas under Chapter 57-51 (Oil and Gas Gross Production Tax) and Chapter 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year. 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 FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
Beginning balance		\$32,655,609		\$87,378,167
Add revenues				
Oil extraction tax collections	\$73,481,417		\$96,848,825 ¹	
Repayments and reimbursements	3,549,610		3,009,000	
Investment earnings/miscellaneous income	2,791,531		1,508,109	
Total revenues		79,822,558		101,365,934
Total available		\$112,478,167		\$188,744,101
Less expenditures and transfers				
State Water Commission - Grants, projects, and project administration	\$25,100,000		\$188,400,000	
State Water Commission - Beaver Bay embankment feasibility study			342,000	
Total expenditures and transfers		25,100,000		188,742,000 ²
Ending balance		\$87,378,167		\$2,101

¹Estimated revenues - 2009-11 - The estimated revenues for the 2009-11 biennium reflect actual revenues through April 2010 and estimated revenues for the remainder of the biennium based on the February 2009 legislative revenue forecast.

²Sections 1 and 5 of House Bill No. 1020 (2009) appropriate \$188.4 million, or any additional amounts that become available, from the resources trust fund for defraying the expenses of the State Water Commission for the 2009-11 biennium. In addition, Senate Bill No. 2305 (2009) provides a \$342,000 appropriation from the resources trust fund to the State Water Commission for conducting a Beaver Bay embankment feasibility study. Total expenditures will be limited to funding available.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$0 and assumed funding would be available for approximately \$132 million of the total \$188.7 million appropriated for the 2009-11 biennium. The increase in the estimated funding available is due to oil extraction tax collections exceeding the February 2009 legislative forecast; however, pursuant to provisions of Section 5 of 2009 House Bill No. 1020, the State Water Commission may spend any additional amounts that may become available in the resources trust fund.

FUND HISTORY

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

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

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

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

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

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

**ANALYSIS OF THE RISK MANAGEMENT FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$3,619,197		\$4,150,592
Add estimated revenues				
Premiums	\$3,453,660 ¹		\$2,444,966 ²	
Investment loss	(459,248)			
Total estimated revenues		2,994,412		2,444,966
Total available		\$6,613,609		\$6,595,558
Less estimated expenditures and transfers				
Administration	\$929,284		\$1,332,470	
Claims-related expenses	312		10,300	
Claims and litigation	1,533,421		2,493,962	
Total estimated expenditures and transfers		2,463,017		3,836,732
Estimated ending balance		\$4,150,592		\$2,758,826

¹In response to an actuarial review completed in 2006 by Aon Risk Services, the Risk Management Division assessed a total of \$3,453,660 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2007-09 biennium.

²In response to an actuarial review completed in 2008 by Aon Risk Services, the Risk Management Division is assessing a total of \$2,649,997 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2009-11 biennium. Assessments are subject to a risk management discount program for agencies that adopt proactive loss control practices, with a maximum available discount of 15 percent. The amount shown for premiums reflects fiscal year 2010 discounts of \$102,393 and estimated fiscal year 2011 discounts of \$102,638.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$2,274,745. The increase in the estimated balance of \$484,081 is due to a decrease in estimated claims and litigation expenditures for the 2009-11 biennium as provided for in the most recent actuarial review completed in April 2010 by Aon Risk Services.

FUND HISTORY

In September 1994 the North Dakota Supreme Court abolished the doctrine of sovereign immunity. As a result of this court decision, the 1995 Legislative Assembly passed the Tort Claims Act (1995 Senate Bill No. 2080), which created a risk management fund and assigned the responsibility of administering a risk management program to the Office of Management and Budget.

**ANALYSIS OF THE SENIOR CITIZEN SERVICES AND PROGRAMS FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
	Beginning balance		\$0	
Add revenues				
Allocation from sales, use, and motor vehicle excise tax collections	\$2,407,214 ¹		\$2,681,947 ¹	
Total revenues		2,407,214		2,681,947
Total available				
Less expenditures and transfers				
State Treasurer - County senior citizen matching grants	\$2,379,226 ²		\$2,669,462 ²	
Transfer to the general fund	27,988 ³		12,485 ³	
Total expenditures and transfers		2,407,214		2,681,947
Ending balance		\$0		\$0

¹The allocation from sales, use, and motor vehicle excise tax collections is shown below:

Fiscal Year	Allocation From Sales, Use, and Motor Vehicle Excise Tax Collections	Percentage Increase (Decrease) From Previous Year
2006	\$995,253 (actual)	N/A
2007	\$1,072,665 (actual)	7.8%
2008	\$1,163,721 (actual)	8.5%
2009	\$1,243,493 (actual)	6.9%
2010	\$1,310,947 (actual)	5.4%
2011	\$1,371,000 (estimate)	4.6%

²The county senior citizen matching grants are shown below:

Fiscal Year	County Senior Citizen Matching Grants	Percentage Increase (Decrease) From Previous Year
2006	\$989,415 (actual)	N/A
2007	\$1,078,503 (actual)	9.0%
2008	\$1,153,293 (actual)	6.9%
2009	\$1,225,933 (actual)	6.3%
2010	\$1,298,462 (actual)	5.9%
2011	\$1,371,000 (estimate)	5.6%

³Any funds remaining at the end of each biennium are transferred to the general fund.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$0. Any money remaining in the fund at the end of each biennium is transferred to the general fund.

FUND HISTORY

The 2005 Legislative Assembly approved Senate Bill No. 2267, which created the senior citizen services and programs fund. Statutory provisions are contained in North Dakota Century Code Sections 57-15-56(5) and 57-39.2-26.2. Each year during July through December, the State Treasurer is to transfer to the fund the portion of sales, use, and motor vehicle excise tax collections that are equivalent to the amount generated from two-thirds of one mill levied statewide as reported by the Tax Commissioner. The State Treasurer by March 1 of the following year, pursuant to a continuing appropriation, distributes money in the fund as grants to eligible counties for senior citizen programs. The grants are provided to counties that have approved a mill levy for senior citizen services and programs. The amount of each county's annual grant is equal to two-thirds of the amount levied in dollars in the county for senior citizen programs, limited to one mill. The Legislative Assembly provided intent that counties match 50 percent of the state grant with funding from the county general fund or state aid distribution fund receipts. Any money remaining in the fund at the end of each biennium is transferred to the general fund, except that for in the 2005-07 biennium any remaining money in the fund at the end of the biennium was allocated to those counties that were levying the statutory maximum for senior citizen programs in proportion to the amounts generated by those levies in those counties.

ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
		\$0		\$0
Beginning balance		\$0		\$0
Add revenues				
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)	\$103,543,817		\$107,324,102	
Total revenues		103,543,817		107,324,102
Total available		\$103,543,817		\$107,324,102
Less expenditures and transfers				
Payments to political subdivisions				
County share (53.7%)	\$55,603,030		\$57,633,043	
City share (46.3%)	47,940,787		49,691,059	
Total expenditures and transfers		103,543,817		107,324,102
Ending balance		\$0		\$0

NOTE: Through April 2010 state aid distribution fund receipts have exceeded estimates made at the end of the 2009 Legislative Assembly by approximately \$592,119 due to motor vehicle excise tax collections exceeding estimates. The total estimated revenues and payments to political subdivisions shown above reflect the 2009-11 revenue forecast as approved by the 2009 Legislative Assembly of \$106,731,983 adjusted by the additional revenues received through April 2010.

FUND HISTORY

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

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

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

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

Population Category			
Counties	Percentage	Cities (Based on Population)	Percentage
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
Total	100.00%		100.0%

ANALYSIS OF THE STATE DISASTER RELIEF FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
	Beginning balance		\$0	
Add revenues				
Transfer from the general fund	\$43,000,000 ¹		\$81,190	
Interest income				
Total revenues		43,000,000		81,190
Total available		\$43,000,000		\$37,704,406
Less expenditures and transfers				
Emergency snow removal grants	\$5,376,784 ²			
Emergency relief grants to political subdivisions relating to 2009 flooding			\$2,237,935 ^{3,4}	
Flood mitigation assistance grants, hazard mitigation grants, mission assignments, and administrative costs relating to 2009 flooding			4,212,679 ³	
Disaster costs relating to disasters occurring prior to 2009			2,715,434 ^{3,5}	
Disaster costs relating to the January 2010 winter snowstorm			2,333,914 ^{3,6}	
Disaster costs relating to 2010 flooding			2,781,250 ³	
Disaster costs relating to the April 2010 ice storm			3,782,500 ³	
Total expenditures and transfers		5,376,784		18,063,712
Ending balance		\$37,623,216		\$19,640,694

¹Section 5 of 2009 Senate Bill No. 2012 provided that the Office of Management and Budget transfer \$43 million from the general fund to the state disaster relief funding during the 2007-09 biennium.

²Section 6 of 2009 Senate Bill No. 2012 authorized up to \$20 million from the state disaster relief fund to be used for providing emergency snow removal grants to counties, cities, and townships in accordance with Section 7 of 2009 Senate Bill No. 2012. Section 7 of 2009 Senate Bill No. 2012 provides that a county, township, or city may apply to the Department of Emergency Services for an emergency snow removal grant for reimbursement of up to 50 percent of the costs incurred by the county, township, or city for the period January 2009 through March 2009 that exceed 200 percent of the average costs incurred for these months in 2004 through 2008. Each county, township, or city requesting reimbursement is to submit the request in accordance with rules developed by the Department of Emergency Services. The Department of Emergency Services was to distribute these grants prior to June 30, 2009. The Department of Emergency Services distributed emergency snow removal grants totaling \$5,376,784.

³Section 6 of 2009 Senate Bill No. 2012 authorized up to \$23 million from the state disaster relief fund to be used for paying costs relating to the 2009 flood disaster, snow removal damage to roads, and other disasters in accordance with Section 8 of Senate Bill No. 2012.

⁴Section 8 of 2009 Senate Bill No. 2012 provides that a political subdivision receiving federal emergency relief funding relating to disasters occurring from January 2009 through June 2009 may apply to the Department of Emergency Services for an emergency relief grant of up to 50 percent of the local match required to receive the federal emergency relief funding. The department expects to distribute \$2,237,935 for these 50 percent local matching share grants.

⁵Section 8 of 2009 Senate Bill No. 2012 provides that any funds not used for the 50 percent local matching grants may be used for matching federal disaster relief funds received for state purposes subject to Budget Section approval. In March 2010 the Budget Section approved a request from the department to use \$2,718,952 from the state disaster relief fund to provide the state match for costs associated with disaster prior to 2009 for which the department is still making payments. As of May 2010, the department estimates spending \$2,715,434 of the \$2,718,952.

⁶Section 8 of 2009 Senate Bill No. 2012 provides that any funds not used for the 50 percent local matching grants may be used for matching federal disaster relief funds received for state purposes subject to Budget Section approval. In March 2010 the Budget Section approved a request from the department to use \$2,336,250 from the department to provide for the 10 percent match for the costs associated with the January 2010 ice storm. As of May 2010, the department estimates spending \$2,333,914 of the \$2,336,250.

FUND HISTORY

North Dakota Century Code Section 37-17.1-27 (Section 4 of 2009 Senate Bill No. 2012) establishes a state disaster relief fund. Money in the fund is to be used subject to legislative appropriations for providing funding for defraying the expenses of state disasters, including providing funds required to match federal funds for expenses associated with presidential-declared disasters in the state. Any interest or other fund earnings must be deposited in the fund.

ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual ¹		2009-11 Biennium Estimated ¹	
Beginning balance		\$21,625,000		\$19,272,800
Add revenues				
Fund earnings (net)	\$1,235,000 ²		\$25,000 ²	
Total available		\$22,860,000		\$19,297,800
Less expenditures and transfers				
Transfer to the general fund	\$3,100,000 ³			
Funding for the veterinary medical education program	487,200 ⁴		\$990,970 ⁵	
Funding for North Dakota University System information technology services			1,020,600 ⁶	
Total expenditures and transfers		3,587,200		2,011,570
Ending balance		\$19,272,800		\$17,286,230

¹This analysis reflects the estimated revenues, expenditures, and ending balance for the 1979 bond resolution only. The estimated June 30, 2011, ending balance for the 1996 bond resolution is \$28.2 million.

²The 2007-09 biennium income is the actual amount from the 2008 and 2009 audits of the trust. The projected income for the 2009-11 biennium is based on interest rates as of May 1, 2010.

³The 2007 Legislative Assembly provided for a transfer of \$3.1 million from the student loan trust fund to the general fund. The \$3.1 million was the projected income for both the 1979 and the 1996 student loan trust resolutions; however, the transfer to the general fund was only being made from the 1979 resolution.

⁴The 2007 Legislative Assembly provided a \$523,380 appropriation from the student loan trust fund for continuing the Kansas State University veterinary medical education program for the 2007-09 biennium. The actual expenditures for the program for the 2007-09 biennium were \$487,200.

⁵The 2009 Legislative Assembly provided a \$990,970 appropriation from the student loan trust fund for continuing the Kansas State University veterinary medical education program for the 2009-11 biennium.

⁶The 2009 Legislative Assembly provided a \$1,020,600 appropriation from the student loan trust fund to the University System information technology services pool for ConnectND positions within the University System. The positions were previously paid for with funding from the Bank of North Dakota.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$18,376,230. The decrease in the estimated balance of \$1,090,000 is due to a reduction in estimated fund earnings due to a reduction in interest rates on investments and a reduction in interest rate guarantee payments from the federal government.

FUND HISTORY

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

The student loan trust fund does not make loans to students or service loans which it acquires. The Bank continues to service those loans which the student loan trust fund holds.

The student loan trust is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution referred to as the 1996 bond resolution includes funds from bonds issued in 1996, 1997, 1998, and 2000. All issuances prior to 2004 with bonds outstanding are insured by Ambac Assurance Corporation.

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

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

After all bonds in the 1979 and 1996 general bond resolutions have matured, been redeemed or defeased, and all expenses paid, any remaining assets held under the general bond resolution would be transferred to the Industrial Commission for use at its discretion. In order to use assets held under the 1979 general bond resolution for a purpose other than those stated in the general bond resolution, the administrators of the student loan trust fund must receive a certification from the trustee of the bond (Bank of North Dakota) that sufficient reserves remain for bond payments and other related program costs. In order to use assets held under the 1996 general bond resolution for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive permission from the bond issuer, and the trustee of the bond (Bank of North Dakota) would have to certify that sufficient reserves remain for bond payments and other related program costs.

North Dakota Century Code Section 54-17-25 provides that the Industrial Commission may issue subordinate or residual bonds when the commission determines that it is appropriate or expedient to do so.

**ANALYSIS OF THE TOBACCO PREVENTION AND CONTROL TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$0		\$14,107,486
Add revenues				
Tobacco settlement revenues collected to date	\$14,138,011 ¹		\$12,274,393 ¹	
Projected tobacco settlement revenues			13,797,729 ²	
Investment income	8,290		345,463	
Total revenues		14,146,301		26,417,585 ³
Total available		\$14,146,301		\$40,525,071
Less expenditures and transfers				
Tobacco Prevention and Control Executive Committee expenditures	\$38,815 ⁴		\$12,882,000 ⁴	
Total expenditures and transfers		38,815		12,882,000
Ending balance		<u>\$14,107,486</u>		<u>\$27,643,071</u>

¹As of May 4, 2010, the state has received two tobacco settlement payments totaling \$33,091,258 for the 2009-11 biennium, of which \$20,816,865 was deposited in the tobacco settlement trust fund and \$12,274,393 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$305,399,942, including \$265,189,809 under subsection IX(c)(1) of the Master Settlement Agreement and \$40,210,133 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$305,399,942, \$278,987,538 has been deposited into the tobacco settlement trust fund and \$26,412,404 has been deposited into the tobacco prevention and control trust fund.

²Estimated payments for the remainder of the 2009-11 biennium are based on the amount received in 2008 of \$13,797,729.

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

The measure will result in the following estimated allocation of the revised estimated collections of the tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A	\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million	11.3 million	11.3 million	2.5 million
Estimated 2009-11 biennium	68.8 million	26.1 million	19.2 million	19.2 million	4.3 million
Estimated 2011-13 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2013-15 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2015-17 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	\$575.5 million	\$123.0 million	\$203.7 million	\$203.7 million	\$45.1 million

⁴Because the tobacco prevention and control trust fund was established in December 2008, no expenditures or transfers were appropriated from the fund for the 2007-09 biennium; however, the 2009 Legislative Assembly in Section 36 of House Bill No. 1015 appropriated \$62,403 from the fund to the Tobacco Prevention and Control Executive Committee for expenses of the committee for the period beginning January 1, 2009, and ending June 30, 2009. The committee's actual expenditures for the 2007-09 biennium totaled \$38,815. In addition, Section 35 of House Bill No. 1015 appropriated \$12,882,000 from the tobacco prevention and control trust fund to the Tobacco Prevention and Control Executive Committee for the purpose of providing a level of funding that will meet the annual level recommended by the Centers for Disease Control and Prevention for North Dakota as published in its *Best Practices for Comprehensive Tobacco Control* for the 2009-11 biennium.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$29,163,873. The decrease in the estimated balance of \$1,520,802 is due to lower than anticipated tobacco settlement revenues.

FUND HISTORY

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

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

- 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.

The measure provides for a portion of tobacco settlement dollars received by the state to be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement will continue to be deposited in the tobacco settlement trust fund and allocated 10 percent to the community health trust fund (with 80 percent used for tobacco prevention and control), 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement will be deposited into the tobacco prevention and control trust fund. Interest earned on the balance in this fund will be deposited in the fund. The fund will be administered by the executive committee created by the measure for the purpose of creating and implementing the comprehensive plan.

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

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

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
Beginning balance		\$0		\$0
Add revenues				
Tobacco settlement revenues collected to date	\$61,495,398		\$20,816,865 ¹	
Projected tobacco settlement revenues			21,940,595	
Total revenues		61,495,398 ²		42,757,460 ²
Total available		\$61,495,398		\$42,757,460 ^{3,4}
Less expenditures and transfers				
Transfers to the community health trust fund	\$6,149,540		\$4,275,746	
Transfers to the common schools trust fund	27,672,929		19,240,857	
Transfers to the water development trust fund	27,672,929		19,240,857	
Total expenditures and transfers		61,495,398 ⁴		42,757,460
Ending balance		\$0		\$0

¹As of May 4, 2010, the state has received two tobacco settlement payments totaling \$33,091,258 for the 2009-11 biennium, of which \$20,816,865 was deposited in the tobacco settlement trust fund and \$12,274,393 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$305,399,942, including \$265,189,809 under subsection IX(c)(1) of the Master Settlement Agreement and \$40,210,133 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$305,399,942, \$278,987,538, has been deposited into the tobacco settlement trust fund and \$26,412,404 has been deposited into the tobacco prevention and control trust fund.

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

In the November 2008 general election, voters approved initiated measure No. 3 that amends Section 54-27-25 to provide that a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, was deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729, which, because it was received prior to passage of the measure, is included in the tobacco settlement revenues collected to date above. Remaining tobacco settlement trust fund revenues have been estimated based on the Office of Management and Budget revised estimated collections less anticipated strategic contribution payments of \$13,797,729 per year, which were estimated based on the actual amount of the 2008 strategic contribution payment. The measure also provides that, if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The 2009 Legislative Assembly in Section 39 of House Bill No. 1015 provided that any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

³In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect the full payment. Due to the uncertainty of the lawsuit, the Office of Management and Budget has reduced the estimated tobacco settlement revenues for the 2009-11 biennium by 3 percent, or \$2,210,618, for the biennium. The total original estimated tobacco settlement collections, including payments to be received under both subsection IX(c)(1) and subsection IX(c)(2) of the Master Settlement Agreement, and the total estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments and legal challenges are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	46,310,010
2005-07	51,271,214	43,654,951
2007-09	82,231,080	70,739,775
2009-11	82,231,080	71,476,648
2011-17 (\$82,231,080/\$73,687,266 per biennium)	246,693,240	221,061,798
2017-25 (\$58,591,490/\$52,503,832 per biennium)	234,365,960	210,015,328
Total	\$866,801,136	\$769,795,657

⁴Initiated measure No. 3, approved by voters in the November 2008 general election, will result in the following estimated allocation of the revised estimated collections of the tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A	\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million	11.3 million	11.3 million	2.5 million
Estimated 2009-11 biennium	68.8 million	26.1 million	19.2 million	19.2 million	4.3 million
Estimated 2011-13 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2013-15 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2015-17 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	\$575.5 million	\$123.0 million	\$203.7 million	\$203.7 million	\$45.1 million

FUND HISTORY

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

In the November 2008 general election, voters approved initiated measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in a new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund.

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

ANALYSIS OF THE STATE TUITION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
	Beginning balance		\$1,133,040 ¹	
Add revenues				
Fines for violation of state laws	\$9,144,166 ²		\$9,300,000 ²	
Transfers from the common schools trust fund	66,800,000		77,000,000	
Total revenues		75,944,166		86,300,000
Total available		\$77,077,206		\$87,449,699
Less expenditures and transfers				
State aid to schools	\$75,927,507 ³		\$86,300,000 ³	
Total expenditures and transfers		75,927,507 ¹		86,300,000 ¹
Ending balance		\$1,149,699 ¹		\$1,149,699 ¹

¹Beginning/ending balance - North Dakota Century Code Section 15.1-28-03 provides for the distribution of money in the state tuition fund in August, September, October, November, December, January, February, March, and April of each fiscal year. Fine proceeds deposited in the tuition fund during May and June of each fiscal year are carried forward for distribution in August of the subsequent year.

²Fines for violation of state laws - The amount of state tuition fund distributions from fine proceeds is shown below:

Fiscal Year	Revenue From Fines	Percentage Increase (Decrease) From Previous Year
1998	\$3,384,890 (actual)	
1999	\$3,818,890 (actual)	12.8%
2000	\$4,866,644 (actual)	27.4%
2001	\$4,241,256 (actual)	(12.9%)
2002	\$4,778,756 (actual)	12.7%
2003	\$4,607,423 (actual)	(3.6%)
2004	\$4,721,407 (actual)	2.5%
2005	\$4,507,137 (actual)	(4.5%)
2006	\$4,506,316 (actual)	(0.01%)
2007	\$4,590,395 (actual)	1.9%
2008	\$4,692,048 (actual)	2.2%
2009	\$4,452,118 (actual)	(5.1%)
2010	\$4,650,000 (estimate)	4.4%
2011	\$4,650,000 (estimate)	0.0%

³State aid to schools - The 2007 Legislative Assembly in Senate Bill No. 2200 consolidated funding for the state school aid program, including per student payments, teacher compensation payments, special education average daily membership payments, revenue supplemental payments, and tuition apportionment payments, into a new state school aid funding formula with a new distribution methodology.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$1,125,088. The increase in the estimated balance of \$24,611 is due to the actual July 1, 2009, balance being more than estimated at the close of the 2009 legislative session due to lower than anticipated fine collections in the 2009 fiscal year and lower than anticipated state aid to schools payments.

FUND HISTORY

The state tuition fund originated in 1889 with enactment of the Constitution of North Dakota. The original constitutional provisions have not changed significantly since enactment and are currently contained in Article IX, Section 2, of the Constitution of North Dakota, which provides that payments to the common schools trust fund of the state include:

- Interest and income from the common schools trust fund.
- All fines for violation of state laws.
- All other amounts provided by law.

Section 15.1-28-01 provides that the state tuition fund consists of the net proceeds from all fines for violation of state laws and leasing of school lands (included in transfers from the common schools trust fund) and the interest income from the state common schools trust fund. Section 15.1-28-03 directs the Office of Management and Budget, on or before the third Monday in January, February, March, April, August, September, October, November, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. Prior to the 2007-09 biennium, the Superintendent of Public Instruction apportioned the money in the state tuition fund among the school districts in the state based on the number of school-age children in the district. The 2007 Legislative Assembly in Senate Bill No. 2200 consolidated funding for the state school aid program, including per student payments, teacher compensation payments, special education average daily membership payments, revenue supplemental payments, and tuition apportionment payments, into a new state school aid funding formula with a new distribution methodology; therefore, beginning with the 2007-09 biennium, the Superintendent of Public Instruction includes the money in the state tuition fund in state school aid payments to school districts as determined by Chapter 15.1-27.

**ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$5,117,754		\$4,159,015
Add revenues				
Investment income (loss)	(\$573,269)		\$200,000	
Sale of vans	7,000			
Total revenues		(566,269)		200,000
Total available		\$4,551,485		\$4,359,015
Less expenditures and transfers				
Grants	\$310,000		\$93,031 ²	
Administrative committee travel	2,500			
Veterans' Home activities	30,270			
Vehicles - Vans	30,500			
Veterans' transportation programs	4,500		2,200 ²	
Other veterans' programs	10,000			
Appeals Committee	700		650 ²	
New Veterans' Home construction project	0 ¹		0 ¹	
Stand Down (outreach to homeless veterans)	4,000		3,300 ²	
Additional anticipated expenditures (not yet determined)			100,819 ²	
Total expenditures and transfers		392,470		200,000 ²
Ending balance		<u>\$4,159,015</u>		<u>\$4,159,015</u>

¹The Administrative Committee on Veterans' Affairs pledged \$150,000 to enable the Veterans' Home to secure additional federal Department of Veterans' Affairs grants for construction of the new Veterans' Home but does not anticipate these funds will be spent because the 2009 Legislative Assembly has appropriated funds from the general fund to secure the grants.

²Expenditures allocated and paid through March 31, 2010. The Administrative Committee on Veterans' Affairs receives and allocates funding on a quarterly basis, as it becomes available, to various programs and anticipates expending all of the funds that become available. The State Treasurer has identified \$200,000 in investment income available from the veterans' postwar trust fund for the various programs supported by the fund.

NOTE: Since the 1993-95 biennium, the **principal balance of the fund has been identified as \$4,101,849**. The fund balance of the veterans' postwar trust fund as of April 30, 2010, was \$4,192,691 and the market value of the fund was \$4,316,239. The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$3,746,685. The increase in the estimated balance of \$412,330 is due to smaller than anticipated investment losses during the 2007-09 biennium resulting in a higher than anticipated market value as of June 30, 2009. In addition, the estimated June 30, 2011, balance made at the end of the 2009 legislative session did not include any 2009-11 biennium expenditures because the Administrative Committee on Veterans' Affairs had not yet determined its anticipated expenditures from the fund for the 2009-11 biennium.

FUND HISTORY Established

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

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

1988 Initiated Measure No. 4

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

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

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

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

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

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

1996 Initiated Constitutional Measure No. 4

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

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

**ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$8,989,953		\$21,010,583
Add revenues				
Transfers to date from tobacco settlement trust fund	\$27,672,929		\$9,367,589 ¹	
Projected remaining transfers from tobacco settlement trust fund			9,873,268	
Total revenues		27,672,929 ²		19,240,857 ²
Total available		\$36,662,882		\$40,251,440
Less expenditures and transfers				
State Water Commission (2007 SB 2020, 2009 HB 1020)				
Water projects	\$0		\$13,866,925 ³	
Bond payments	12,506,168		16,976,076 ³	
Administrative expenses	3,146,131		0 ³	
Total expenditures and transfers		15,652,299		30,843,001
Ending balance		<u>\$21,010,583</u>		<u>\$9,408,439</u>

¹For the 2009-11 biennium, two transfers totaling \$9,367,589 have been made from the tobacco settlement trust fund as of May 2010. Total transfers of \$125,544,392 have been made from the tobacco settlement trust fund to the water development trust fund.

²Revenues - Interest earned on the water development trust fund is deposited in the state general fund.

In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect full payment. Due to the uncertainty of the lawsuit, the Office of Management and Budget has reduced the estimated tobacco settlement revenues for the 2009-11 biennium by 3 percent. The water development trust fund share of the 3 percent reduction is \$994,778 for the 2009-11 biennium.

Approved by voters in the November 2008 general election, initiated measure No. 3 amends North Dakota Century Code Section 54-27-25 to provide that a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, beginning in 2009 will be deposited in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729. Remaining water development trust fund revenues have been estimated based on the Office of Management and Budget revised estimated collections less actual and anticipated strategic contribution payments. The measure also provides that if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The 2009 Legislative Assembly, in Section 39 of House Bill No. 1015, provided that any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

Initiated measure No. 3 will result in the following estimated allocation of the revised estimated collections of the tobacco settlement payments through 2025:

	Actual and Estimated Total Tobacco Settlement Proceeds	Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A	\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million	11.3 million	11.3 million	2.5 million
Estimated 2009-11 biennium	68.8 million	26.1 million	19.2 million	19.2 million	4.3 million
Estimated 2011-13 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2013-15 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2015-17 biennium	73.7 million	27.6 million	20.8 million	20.8 million	4.5 million
Estimated 2017-19 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2019-21 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A	23.6 million	23.6 million	5.3 million
Total	\$575.5 million	\$123.0 million	\$203.7 million	\$203.7 million	\$45.1 million

³The 2009-11 executive recommendation provided \$32,376,076, or any additional amount that becomes available, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2009-11 biennium. The 2009 Legislative Assembly decreased funding from the water development trust fund and increased funding from the general fund by \$1,533,075 for administrative and support services to provide a total of \$30,843,001, or any additional amount that becomes available, from the water development trust fund for bond payments and water projects. Total 2009-11 biennium bond payments will be \$16,976,076. The remaining balance of approximately \$13.9 million will be available for State Water Commission projects.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$10,505,793. The decrease in the estimated balance of \$1,097,354 is due to a decrease in the June 30, 2009, ending balance of \$591,675 and a decrease in the estimated transfers from tobacco settlement trust fund during the 2009-11 biennium of \$505,679.

FUND HISTORY

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

- 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.

In the November 2008 general election voters approved initiated measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continue in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will, beginning in 2009, be deposited into the newly created tobacco prevention and control trust fund. The measure also provides that if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The 2009 Legislative Assembly in Section 39 of House Bill No. 1015 provided that any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation.

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

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