ANALYSIS OF 2019-21 EXECUTIVE BUDGET

Supplement to the

Report of the Legislative Management

Budget Section

66th Legislative Assembly **January 2019**

LEGISLATIVE ANALYSIS OF 2019-21 EXECUTIVE BUDGET
SUPPLEMENT TO THE REPORT OF THE LEGISLATIVE MANAGEMENT'S BUDGET SECTION

North Dakota Century Code Section 54-44.1-07 directs the director of the budget to present the budget and revenue proposals recommended by the governor to the Legislative Assembly at the organizational session. On December 5, 2018, the Legislative Assembly met in joint session to receive from Governor Doug Burgum the executive budget and revenue proposals. After adjournment of the organizational session, the Budget Section, chaired by Representative Larry Bellew, heard the detailed presentation of the governor's budget on December 5, 2018. The governor's proposed budget is for the period beginning July 1, 2019, through June 30, 2021, or the 2019-21 biennium.

An analysis of the recommended appropriations and estimated revenues contained in the 2019-21 governor's budget are included in this supplement to the Budget Section report.

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

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SECTION A - EXECUTIVE SUMMARY

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SUMMARY OF KEY RECOMMENDATIONS

GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2019	$65,000,000[1]
Add estimated 2019-21 biennium general fund revenues and transfers	4,935,448,310
Total resources available	$5,000,448,310
Less recommended 2019-21 biennium general fund appropriations	4,936,726,893[2]
Estimated general fund balance - June 30, 2021	$63,721,417[3]

[1]This amount reflects the following recommendations proposed to occur prior to July 1, 2019:

- Estimated 2017-19 biennium unspent general fund appropriations (turnback) of approximately $18.8 million.
- Deficiency appropriations of approximately $18.2 million.
- Transfer of $312 million from the general fund to the budget stabilization fund.

[2]The executive budget includes $311.1 million of one-time general fund appropriations.

[3]Projected June 30, 2021, balances for other major special funds are as follows:

- Strategic investment and improvements fund unobligated balance - $527.6 million.
- Tax relief fund - $200 million.
- Foundation aid stabilization fund undesignated balance - $130.9 million.
- Budget stabilization fund - $740.5 million.
- Legacy fund - $7,111.8 million.

TOTAL APPROPRIATIONS SUMMARY

	2017-19 Legislative Appropriations	Increase (Decrease)	2019-21 Executive Budget
General fund	$4,310,262,641	$626,464,252	$4,936,726,893
Estimated income	9,242,823,811	114,272,289	9,357,096,100
Total all funds	$13,553,086,452	$740,736,541	$14,293,822,993

2019-21 BIENNIUM GENERAL FUND REVENUES

1. Reflects total **2019-21 biennium general fund resources** of $5,000 million, an increase of $640 million, or 14.7 percent, compared to the 2017-19 biennium forecast prepared at the close of the 2017 legislative session.
2. Includes an **estimated beginning general fund balance** of $65 million after a transfer of $312 million to the budget stabilization fund during the 2017-19 biennium. The projected July 1, 2019, balance made at the close of the 2017 legislative session was $50 million.
3. Includes estimated **2017-19 biennium unspent general fund appropriation authority (turnback)** of $18.8 million at the end of the 2019-21 biennium.
4. Creates an income tax exemption for military retiree pay that is estimated to reduce individual income tax collections by $3 million.
5. Establishes an automation tax credit that is estimated to reduce individual income tax collections by $3.8 million and reduce corporate income tax collections by $1.3 million.
6. Major areas of **revenue change** compared to the 2017-19 biennium forecast prepared at the close of the 2017 legislative session:
   a. Sales and use taxes **increasing** by $226 million, or 13.3 percent.
   b. Individual income taxes **increasing** by $26 million, or 11.7 percent.
   c. Corporate income taxes **decreasing** by $9 million, or 9.2 percent.
   d. Oil and gas tax collections **increasing** by $600 million, or 150 percent.
   e. Insurance tax collections **decreasing** by $21 million, or 16.4 percent.
7. Includes **transfers to the general fund** of $468 million compared to $940 million based on the 2017-19 biennium revised revenue forecast. Major transfers for the 2019-21 biennium in the executive budget include:
   a. $140 million from Bank of North Dakota profits, the same as the 2017-19 biennium.
   b. $13 million from Mill and Elevator profits, compared to $20 million in the 2017-19 biennium.
   c. $300 million from legacy fund earnings, the same as the revised estimate for the 2017-19 biennium, but $100 million more than the original 2017-19 biennium estimate of $200 million.

   Major 2017-19 biennium transfers to the general fund are from the tax relief fund ($183 million) and the strategic investment and improvements fund ($248 million).
8. Transfers $312 million from the general fund and $315 million from the strategic investment and improvements fund to the budget stabilization fund prior to July 1, 2019.

OIL TAX COLLECTIONS AND ALLOCATIONS

1. Anticipates **oil prices** decreasing from $55 to $46 per barrel for the remainder of the 2017-19 biennium and increasing from $46 to $50 in the 2019-21 biennium. The average oil price in November 2018 was $48 per barrel based on the average of the West Texas Intermediate price ($57) and the Flint Hill Resources price ($39).
2. **Oil production** in September 2018 averaged 1.36 million barrels per day. Oil production is anticipated to remain at 1.30 million barrels per day for the remainder of the 2017-19 biennium. Oil production is anticipated to increase from 1.34 million to 1.35 million barrels per day in the 2019-21 biennium.
3. Adjusts the allocation formula to increase the allocation to the general fund from $300 million to $1 billion.

2019-21 GENERAL FUND APPROPRIATIONS

	2017-19 Legislative Appropriations	Increase (Decrease)	2019-21 Executive Budget
Ongoing appropriations	$4,269,624,415	$356,033,285	$4,625,657,700
One-time appropriations	40,638,226	270,430,967	311,069,193
Total	$4,310,262,641	$626,464,252	$4,936,726,893

1. Includes general fund appropriations of $4,936.7 million, $626.5 million more than the 2017-19 legislative appropriations.
2. Major general fund appropriations increases (decreases) relate to:
   a. Department of Human Services - $182.3 million.
   b. Department of Public Instruction (DPI) - $111.9 million.
   c. Department of Commerce - $104.8 million.
   d. Bank of North Dakota - $80 million.
   e. Department of Career and Technical Education - $41.1 million.
   f. Higher education - $36.2 million.
   g. Department of Corrections and Rehabilitation - $19.7 million.
   h. Adjutant General - $16.8 million.

2019-21 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of $9.4 billion, $114.3 million more than the 2017-19 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
   a. Department of Trust Lands - ($229.8 million).
   b. Higher education - $151.9 million.
   c. State Water Commission - $102.4 million.
   d. Department of Transportation - $95.1 million.
   e. Information Technology Department (ITD) - $56.6 million.
   f. Adjutant General - ($24.9 million).
   g. Aeronautics Commission - $21.0 million.
   h. Department of Human Services - ($11.7 million).
   i. Attorney General - ($8.2 million).
   j. DPI - $5.3 million.
   k. Estimated federal funding - ($102.4 million).

2019-21 BIENNIUM ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS

1. Reflects ongoing general fund revenues, including transfers from the Bank of North Dakota, the Mill and Elevator Association, the lottery, and the gas tax administration, of $4,635.4 million and recommends $4,625.7 million of ongoing general fund appropriations, resulting in an estimated excess of $9.7 million.
2. Recommends $311.1 million of one-time general fund appropriations from the estimated $365.0 million of one-time general fund resources and $9.7 million of excess ongoing revenues available for the 2019-21 biennium.
3. Retains an estimated $63.7 million in the general fund at the end of the 2019-21 biennium.

HIGHER EDUCATION

1. Increases total **general fund** support by $36.2 million from the 2017-19 appropriations. Ongoing general fund support is increased by $8.0 million, from $613.2 million to $621.2 million, while one-time general fund appropriations are increased by $28.2 million, from $12.6 million to $40.8 million.
2. Increases appropriations from **special funds** by $133.6 million, or 6.5 percent. The increase relates primarily to increases in special funds authority for salary and benefit increases and funding for capital projects at the University of North Dakota, North Dakota State University, the North Dakota State College of Science, Valley City State University, and Dakota College at Bottineau.
3. Decreases the authorized number of **full-time equivalent (FTE) positions** from 6,767.76 to 6,609.87, a decrease of 157.89 positions. The decrease relates primarily to position reductions made by North Dakota University System institutions in response to budget adjustments approved for the 2017-19 biennium.
4. Increases funding by $3.3 million from the general fund to be distributed to institutions through the **higher education funding formula** for student credit-hour production ($4.4 million increase), inflationary adjustments ($23.5 million increase), a 5 percent base budget reduction ($25.3 million decrease), and an increase to maintain the funding formula hold harmless clause ($700,000 increase). The credit-hour production change provides $6.2 million for residency positions at the University of North Dakota School of Medicine and Health Sciences.
5. Increases funding from the general fund by $4.5 million to continue **residency positions** at the University of North Dakota School of Medicine and Health Sciences. This amount is in addition to the $6.2 million increase provided through the student credit-hour funding formula for residency positions.
6. Includes one-time funding of $40 million from the general fund to continue the **higher education challenge fund** to provide matching grants for academic enhancements to University System institutions. This represents an increase of $38 million from the $2 million of one-time funding appropriated from the general fund for higher education challenge grants during the 2017-19 biennium.

7. Includes one-time funding of $28.6 million from the strategic investment and improvements fund for **major capital projects** at University System institutions.
8. Includes one-time funding of $5 million from the strategic investment and improvements fund for online curriculum development at University System institutions.

ELEMENTARY AND SECONDARY EDUCATION

1. Provides $2,131 million, of which $1,518 million is from the general fund, $233 million is from the foundation aid stabilization fund, and $380 million is from the state tuition fund, for the state school aid program. State school aid program funding changes are summarized in the following schedule:

	2017-19 Legislative Appropriations (Amounts Shown in Millions)	Increase (Decrease) (Amounts Shown in Millions)	2019-21 Executive Budget (Amounts Shown in Millions)
State school aid	$1,935.2	$115.5	$2,050.7
Transportation aid payments	55.4	0	55.4
Rapid enrollment grants	6.0	(6.0)	0
Special education - Contracts	19.3	5.7	25.0
Total	$2,015.9	$115.2	$2,131.1
General fund	$1,409.4	$109.2	$1,518.6
Foundation aid stabilization fund	301.0	(68.2)	232.8
State tuition fund	305.5	74.2	379.7
Total	$2,015.9	$115.2	$2,131.1

2. Provides **integrated formula payments** totaling $2,051 million, an increase of $115.5 million from the integrated formula payments provided during the 2017-19 biennium. When compared to the appropriation for the 2017-19 biennium, the increase of $115.5 million includes a decrease in funding from the foundation aid stabilization fund of $62.2 million and increases in funding from the general fund of $103.5 million and from the state tuition fund of $74.2 million.
3. Increases integrated **per student payment rates** by 2 percent each year of the 2019-21 biennium at a cost of $62 million. The current rate of $9,646 will increase to $9,839 during the 1st year of the biennium and to $10,036 during the 2nd year of the biennium.
4. Adjusts the state school aid formula to provide blended **on-time funding** at a cost of $24.1 million.
5. Transitions the state school aid formula from the dollar hold harmless and the per student hold harmless for school districts generating a savings of $14 million.
6. Excludes new property from the 12 percent limitation in property tax increases resulting in an increased local share and generating a savings to the state of $8.9 million.
7. Includes $3,325,000 from the general fund as one-time funding for cybersecurity education for teachers ($3 million), a review of the state's foreign language standards ($125,000), and funding to rewrite the state school aid formula ($200,000).
8. Removes $5.5 million of general fund authority from DPI and provides $4.95 million from the general fund to ITD to transfer the PowerSchool program, resulting in a decrease of $550,000 compared to the 2017-19 biennium.
9. Transfers the prekindergarten program from the Department of Commerce to DPI, including a transfer of $1.5 million of general fund authority from the Department of Commerce budget to the DPI budget. In addition, funding for the program is increased by $1.5 million from the general fund to provide a total of $3 million from the general fund for the prekindergarten program.
10. Transfers the teacher shortage loan forgiveness program from the University System to DPI, including a transfer of $2.1 million of general fund authority from the University System budget to the DPI budget.
11. Provides $4.1 million from the general fund for adult education grants, an increase of $1 million from the 2017-19 biennium appropriation of $3.1 million.
12. If any funding provided to DPI for integrated formula payments for the 2017-19 biennium remains after all statutory obligations have been met, the executive budget allows DPI to use remaining funds to pay 2017-19 biennium state obligations for special education contract grants exceeding the 2017-19 appropriation for grants - special education. The executive recommendation also allows DPI to continue up to $10 million of excess integrated formula payments funding into the 2019-21 biennium for a Teacher Incentives for Leadership in Education program.

HUMAN SERVICES

1. Provides a total general fund appropriation of $1,521.6 million, $182.4 million, or 13.6 percent, more than the $1,339.2 million 2017-19 biennium general fund appropriation.
2. Adds $27.9 million from the general fund for additional state matching funds required due to changes in the state's **federal medical assistance percentage**. The federal matching for Medicaid Expansion is 93 percent beginning January 2019, and 90 percent beginning January 2020.
3. Provides $69.6 million from the general fund for cost to continue, and anticipated **cost, caseload, and utilization changes** in the Department of Human Services' budget compared to 2017-19 appropriations.

4. Replaces ongoing funding appropriated during the 2017-19 biennium from the tobacco prevention and control trust fund ($24,479,159), community health trust fund ($18,000,000), and health care trust fund ($1,686,191) with funding from the general fund.
5. Provides $29.4 million, of which $13.6 million is from the general fund, for a 1 percent annual **inflationary increase** for human service providers in the 2019-21 biennium.
6. Transfers $182.3 from the tax relief fund to the social services fund and appropriates the funding for costs associated with continuing the state takeover of certain county social services expenses.
7. Appropriates $35 million from the general fund for a new **state behavioral health hospital and clinic** in Jamestown.

CAPITAL CONSTRUCTION

1. The executive budget recommendation includes a total of $1,331,021,822 for capital projects as reflected on the following schedule:

	General Fund	Special Funds	Total Funds
Major capital projects - See the major new capital construction schedule on page H-2	$50,000,000	$305,396,000	$355,396,000
Extraordinary repairs - See the extraordinary repairs schedule on page H-3	17,947,569	16,460,863	34,408,432
Department of Transportation - Bond payments	0	1,013,189	1,013,189
Department of Transportation - Contractor payments	0	814,062,094	814,062,094
Water projects	0	112,996,308	112,996,308[1]
Game and Fish Department - Fisheries		268,329	268,329
Institutions of higher education special assessments	64,292	407,039	471,331
State agency special assessments	264,046	0	264,046
Payments in lieu of taxes	50,000	1,383,000	1,433,000[2]
Other bond payments	9,019,765	1,689,328	10,709,093
Total	$77,345,672	$1,253,676,150	$1,331,021,822

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

[2]This amount includes payments in lieu of taxes of approximately $1,383,000 for the Game and Fish Department from special funds and $50,000 for the Adjutant General from the general fund. This amount does not include payments in lieu of taxes of approximately $408,000 estimated to be paid by Workforce Safety and Insurance in the 2019-21 biennium under the agency's continuing appropriation for building maintenance.

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

STATE EMPLOYEES

1. Provides $112 million, of which $48.6 million is from the general fund, for **salary increases** for state employees of 4 percent of salaries effective July 1, 2019, and 2 percent of salaries effective July 1, 2020. Agencies may provide an additional 2 percent salary increase on July 1, 2020, if sufficient long-term savings are identified.
2. Continues funding for the cost of **health insurance** premiums for state employees. Funding of $58.6 million, of which $25.4 million is from the general fund, is added for the health insurance premium increase. The executive budget provides state employees three options for health insurance:
   a. Continue the existing health insurance plan with no changes to deductibles or coinsurance and providing for health insurance premiums of $1,426.74 per month, of which state employees will be responsible for $28.48 per month, or 2 percent of the total monthly premium. The monthly premium of $1,426.74 is an increase of $185.92, or 15 percent, compared to the 2017-19 premium of $1,240.82 per month.
   b. Continue the high-deductible health plan with state-funded contributions to a health savings account. The recommendation includes state contributions to the health savings account of $181 per month and annual contributions of $500 in January 2020 and January 2021 to incentivize participation in the high-deductible plan during the 2019-21 biennium.
   c. A new state-paid health insurance plan. The new plan is a nongrandfathered plan offering additional benefits but higher deductibles and coinsurance compared to the existing health insurance plan. The plan would include a state-paid premium of $1,398.26 per month, an increase of $157.44 or 12.7 percent compared to the 2017-19 biennium premium rate of $1,240.82 per month.
3. Increases contributions to the main retirement plan by 2 percent, 1 percent paid by the employee and 1 percent paid by the state, along with a one-time transfer of $265 million from the strategic investment and improvements fund to the public employees retirement fund. The executive budget includes $9 million, of which $3.9 million is from the general fund for the 1 percent employer contribution increase.
4. Includes a total of 15,673.07 FTE positions, a decrease of 174.31 FTE positions from the 2017-19 authorized level of 15,847.38 FTE positions, including a decrease of 157.89 FTE positions in higher education and a decrease of 16.42 FTE positions in all other state agencies.

CORRECTIONS

1. Provides a total general fund appropriation for the Department of Corrections and Rehabilitation of $234.0 million, $19.7 million, or 9.2 percent, more than the $214.3 million appropriation for the 2017-19 biennium.
2. Includes $11.17 million and 36.2 new FTE positions to **transfer minimum security male inmates** from the Missouri River Correctional Center to the James River Correctional Center.
3. Includes $5 million and 27.5 new FTE positions for the Department of Corrections and Rehabilitation to assume direct operation of a portion of the **Tompkins Rehabilitation and Corrections Center** on the campus of the State Hospital.
4. Includes $3.9 million to contract with the State Hospital for up to 30 addiction treatment beds.
5. Provides $2.4 million of one-time funding from the strategic investment and improvements fund for **Missouri River Correctional Center renovations** to house female inmates. The executive budget proposes discontinuing the contract to house female inmates at the Dakota Women's Correctional and Rehabilitation Center in New England.
6. Provides $500,000 of one-time funding from the strategic investment and improvements fund for a **campus study** of the James River Correctional Center and State Hospital.

INFORMATION TECHNOLOGY

1. Recommends $172.5 million, of which $5 million is from the general fund, $25.8 millon is from federal funds, and $141.7 million is from special funds, for state agency **large information technology projects** for the 2019-21 biennium. Of the $141.7 million from special funds, $121 million is from the strategic investment and improvements fund.
2. Provides one-time funding of $44 million from special funds to ITD for the **statewide interoperable radio network project**. Of this total, $40 million is from the strategic investment and improvements fund and $4 million is from the statewide interoperable radio network fund.
3. Provides one-time funding of $30.3 million from special funds, of which $26.1 million is from the strategic investment and improvements fund, to ITD for nine large information technology projects, including a cybersecurity tool set modernization project ($11.4 million) and a North Dakota gateway portal project ($6 million).
4. Provides one-time funding of $9.5 million from special funds, of which $5 million is from the strategic investment and improvements fund, to the Industrial Commission for the Department of Mineral Resources risk base data management system 3.0 project.
5. Provides one-time funding of $16.5 million from federal funds to Job Service North Dakota for an **unemployment insurance modernization project**.
6. Provides one-time funding from special funds to Workforce Safety and Insurance for a claims and policy system project ($7 million) and an extranet enhancement project ($850,000).
7. Provides one-time funding from the strategic investment and improvements fund of $39.6 million to the Department of Transportation for five large information technology projects, including a **driver's license system rewrite project** ($22.5 million) and a roadway information management system replacement project ($9.1 million).
8. Provides for a **shared service unification of information technology** resources and personnel, including the transfer of 145.5 information technology FTE positions from 14 agencies to ITD as follows:

Agency	FTE Positions
Office of Management and Budget	4.0
Department of Trust Lands	2.0
State Department of Health	4.5
Department of Environmental Quality	1.0
Department of Human Services	48.0
Job Service North Dakota	16.0
Workforce Safety and Insurance	12.0
Highway Patrol	2.0
Department of Corrections and Rehabilitation	4.0
Adjutant General	6.0
Department of Commerce	1.0
Game and Fish Department	3.0
Parks and Recreation Department	1.0
Department of Transportation	41.0
Total	145.5

9. Transfers the Center for Distance Education, including 29.80 FTE positions and $8.2 million, of which $5.7 million is from the general fund, from ITD to the Department of Career and Technical Education.
10. Provides $4.9 million for salaries and operating expenses for 17 new cybersecurity FTE positions for ITD.

ECONOMIC DEVELOPMENT

1. Provides one-time funding of **$100 million from the general fund** to the Department of Commerce for a Theodore Roosevelt Presidential Library project grant ($50 million), beyond visual line of sight unmanned aircraft system grants ($30 million), and for Research North Dakota programs ($20 million).
2. Recommends one-time funding of $3 million from the strategic investment and improvements fund to the Department of Commerce for **enhanced use lease grants**.
3. Recommends $5 million to the Department of Commerce for the **unmanned aircraft system program**, including $3 million from the general fund, $1 million from federal funds, and $1 million from the unmanned aircraft system fund.

4. Provides $1.6 million to the Department of Commerce for the **North Dakota Trade Office**, a decrease of $400,000 from the 2017-19 biennium amount of $2 million.
5. Recommends $7.8 million, of which $7.3 million is from the general fund, for **North Dakota tourism** operating costs, a decrease of $1.1 million from the 2017-19 biennium amount of $8.9 million.
6. Provides $3 million from the general fund to the Department of Commerce for a statewide marketing initiative.
7. Recommends $1.8 million from the general fund to the Department of Career and Technical Education for workforce training contract grants, a decrease of approximately $200,000 from the 2017-19 biennium amount of $2 million.
8. Provides $30 million from the general fund to the Department of Career and Technical Education for a **workforce development competitive grant program** to build career academies.

TRANSPORTATION

1. Anticipates **federal highway construction funds** of $714.2 million for the 2019-21 biennium compared to $636.8 million for the 2017-19 biennium.
2. Provides $39.6 million for **information technology projects**, including $22.5 million for a rewrite of the driver's license system.

MAJOR TRANSFERS AND REVENUE ALLOCATION CHANGES

1. Provides for a transfer of $315 million from the **strategic investment and improvements fund** to the budget stabilization fund prior to July 1, 2019.
2. Provides for a transfer of $312 million from the **general fund** to the budget stabilization fund prior to July 1, 2019.
3. Provides for a transfer of $140 million from the profits of the **Bank of North Dakota** to the general fund.
4. Anticipates 2017-19 biennium **legacy fund earnings** of $300 million to be transferred to the general fund, $100 million more than the $200 million projected by the 2017 Legislative Assembly.
5. Anticipates 2019-21 biennium **legacy fund earnings** of $300 million to be transferred to the general fund and appropriated for one-time expenditures during the 2019-21 biennium.
6. Provides for a transfer of $182 million from the **tax relief fund** to the social services finance fund.
7. Increases the amount of the state share of oil and gas tax deposits in the general fund from $300 million to $1 billion per biennium.
8. Utilizes $233 million from the foundation aid stabilization fund for **state school aid payments** during the 2019-21 biennium.

ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS AS IDENTIFIED AND RECOMMENDED IN THE 2019-21 EXECUTIVE BUDGET

Ongoing General Fund Resources and Appropriations

Recommended ongoing general fund revenues	$4,467,057,286
Less recommended ongoing appropriations	(4,625,657,700)
Excess (shortfall)	($158,600,414)
Add transfers to the general fund identified in the executive budget recommendation as ongoing	168,391,024[1]
Excess ongoing general fund resources	$9,790,610

[1]This amount includes transfers identified as ongoing in the executive budget from:

Bank of North Dakota	$140,000,000
Mill and Elevator Association	13,400,000
Lottery	13,000,000
Gas tax administration	1,991,024
Total	$168,391,024

Identified One-Time General Fund Resources and Related Appropriations

Estimated general fund beginning balance and transfers to the general fund identified as one-time in the executive budget	$365,000,000[1]
Less recommended one-time general fund appropriations	(311,069,193)
Excess (shortfall)	$53,930,807
Add excess ongoing general fund resources	9,790,610
Excess (projected ending general fund balance)	$63,721,417

[1]This amount includes:

Estimated beginning general fund balance	$65,000,000
Legacy fund earnings	300,000,000
Total	$365,000,000

One-Time General Fund Appropriations Detail

The executive budget recommendation includes the following one-time general fund appropriations:

Agency/Description	One-Time General Fund Appropriation
Governor's office (101)	
Boards and commissions database project	$139,808
Governor transition costs	65,000
Office of Management and Budget (110)	
State student internship program	250,000
Central services study of an electronic procurement system	50,000
Special assessments for road maintenance on 4th Street adjacent to Capitol grounds	320,000
Establish the newly created ethics commission through voter approval of Constitutional Measure No. 1 in November 2018	100,000
Health savings account pool	800,000

Agency/Description	One-Time General Fund Appropriation
Attorney General (125)	
Undercover vehicles	300,000
Legislative Assembly (150)	
Computer and iPad replacement	517,760
Voting system upgrade	100,000
Digital signage replacement	40,000
Legislative Council (160)	
Computer replacement	124,856
Redistricting equipment	22,400
Judicial branch (180)	
Copy machines	82,500
District courts audio/visual equipment	114,852
Supreme Court law library renovation project	960,000
Department of Public Instruction (201)	
Cybersecurity education	3,000,000
Foreign language standards	125,000
Education funding formula rewrite	200,000
North Dakota University System office (215)	
Higher education challenge grant fund	40,000,000
Dickinson State University (239)	
Theodore Roosevelt Center digitization	750,000
Department of Career and Technical Education (270)	
Workforce development grants for career academies	30,000,000
State Department of Health (301)	
Microbiology laboratory information technology upgrades	90,000
Veterans' Home (313)	
Strategic plan	25,000
Department of Veterans' Affairs (321)	
Grants database enhancement	7,500
Salary for a temporary loan and grant position	140,000
Department of Human Services (325)	
Behavioral health state hospital and clinic	35,000,000
Protection and Advocacy Project (360)	
Retirement leave payouts for seven individuals	64,550
Polycom video conferencing system replacement	8,000
Department of Labor and Human Rights (406)	
Paperless system	69,659
Bank of North Dakota (471)	
Transfer to the infrastructure revolving loan fund	55,000,000
Transfer to school construction assistance revolving loan fund	25,000,000
Highway Patrol (504)	
Drone purchases	96,228
Airplane engine overhaul	81,830

Agency/Description	One-Time General Fund Appropriation
Department of Corrections and Rehabilitation (530)	
James River Correctional Center extraordinary repairs	386,000
Youth Correctional Center extraordinary repairs	372,000
State Penitentiary extraordinary repairs	118,250
Elite server replacement	40,000
Adjutant General (540)	
Camp Grafton expansion	15,000,000
Message switch software	95,000
Computer aided dispatch equipment replacement	66,000
Uninterruptible power supply battery replacement	20,000
Commerce Department (601)	
Beyond visual line of sight project	30,000,000
Research North Dakota program	20,000,000
Theodore Roosevelt Presidential Library project	50,000,000
Agriculture Commissioner (602)	
Master customer database	110,000
NDSU Extension Service (630)	
Web strategy development and online content enhancement	345,000
State Historical Society (701)	
Historic site repairs	500,000
Exhibits and collections care	372,000
Total	$311,069,193

EXECUTIVE BUDGET RECOMMENDATIONS REQUIRING STATUTORY CHANGES OR OTHER LEGISLATIVE ACTION

In addition to general agency budget recommendations, elected officials' salary increases, and any capital construction bonding proposals, the following recommendations included in the executive budget require statutory changes or other action by the Legislative Assembly in 2019 to implement:

TRANSFERS TO THE GENERAL FUND

- Provides for a transfer of $140 million from the profits of the **Bank of North Dakota** to the general fund (Would be added to House Bill No. 1014).

TRANSFERS TO THE BUDGET STABILIZATION FUND

- Provides for a transfer of $315 million from the **strategic investment and improvements fund** to the budget stabilization fund (Would be added to Senate Bill No. 2015).

OTHER SPECIAL FUNDS TRANSFERS

- Provides for a transfer of $182 million from the **tax relief fund** to the social services finance fund (Would be added to Senate Bill No. 2015).
- Provides for a transfer of $265 million from the **strategic investment and improvements fund** to the public employees retirement fund (Would be added to Senate Bill No. 2015).
- Provides for a transfer of $20 million from the **strategic investment and improvements fund** to the housing incentive fund (Would be added to House Bill No. 1014).

TAX AND FEE CHANGES

- **Automation tax credit** - Reinstates an automation tax credit for individual and corporate income tax filers (Bill pending).
- **Military retiree pay income tax exemption** - Provides an individual income tax exemption for military retiree pay received by an individual (Bill pending).
- **State Department of Health fees** - Amends North Dakota Century Code Section 23-02.1-29 to increase certain fees charged by the State Department of Health and deposits the fees in the department's operating fund rather than the general fund (Would be added to House Bill No. 1004).
- **Secretary of State fees** - Amends Section 54-09-11 to increase filing fees charged by the Secretary of State and removes the provision that a portion of the fees be distributed to counties (Would be added to Senate Bill No. 2002).

OIL TAX REVENUE ALLOCATIONS

- **Deposits in the general fund** - Amends Section 57-51.1-07.5 to increase the amount of the state share of oil and gas tax deposits in the general fund from $300 million to $1 billion (Senate Bill No. 2104).

DELEGATION OF LEGISLATIVE AUTHORITY

- **Line item transfers** - Authorizes certain state agencies to transfer appropriation authority between line items. Some agencies would be limited to transferring no more than an amount equal to 10 percent of the agency's appropriation authority (Would be added to several bills).
- **Appropriation authority of additional funds received** - Provides appropriation authority for any additional funds received by certain state agencies (Would be added to several bills).
- **Transfers between agencies** - Authorizes the Office of Management and Budget, at the direction of the governor, to transfer up to 1 percent of the general fund appropriation authority between certain state agencies (Would be added to Senate Bill No. 2015).
- **Shared services fund** - Creates a new section to Chapter 54-27 to establish a shared services fund to allow state agencies to make payments to each other for shared services, and for the receiving agency to spend the funds for salaries, operating expenses, or equipment (Would be added to Senate Bill No. 2015).

OFFICE OF MANAGEMENT AND BUDGET

- **Emergency Commission borrowing authority** - Amends Section 54-16-04 and creates Section 54-16-04.04 to authorize the Emergency Commission to borrow up to $5 million per biennium from the Bank of North Dakota to address state contingencies (Would be added to Senate Bill No. 2015).
- **Planning fees for capital improvements** - Amends Section 54-27-22 to allow the Office of Management and Budget to pay consulting and planning fees associated with capital improvements without requiring approval from the Budget Section (Would be added to Senate Bill No. 2015).
- **State employee suggestion incentive program** - Repeals Section 54-06-24 relating to the state employee suggestion incentive program (Would be added to Senate Bill No. 2015).

ELEMENTARY AND SECONDARY EDUCATION

- **Per-student payment rate** - Amends Section 15.1-27-04.1 to increase the integrated formula payment rate by 2 percent effective July 1, 2019, and July 1, 2020 (Would be added to Senate Bill No. 2013).
- **Hold harmless provisions of the integrated formula payment** - Amends Section 15.1-27-04.1 to require baseline funding be recalculated for school districts in a cooperative agreement. In addition, minimum hold harmless calculations are reduced by 10 percent, while the maximum payment is increased by 5 percent (Would be added to Senate Bill No. 2013).
- **Teacher shortage loan forgiveness program** - Amends Section 15-10-38 to transfer administration of the teacher shortage loan forgiveness program from the North Dakota University System to the Department of Public Instruction (Would be added to Senate Bill No. 2013).
- **Early childhood education program** - Amends various sections of Chapter 15.1-37 to transfer administration of the early childhood education program from the Department of Commerce to the Department of Public Instruction (Would be added to Senate Bill No. 2013).
- **School construction loan fund** - Transfers $25 million from the general fund to the school construction loan fund (Would be added to House Bill No. 1014).
- **School construction loan interest rate buydown** - Transfers $5 million of Bank of North Dakota profits to continue interest rate buydowns on school construction loans issued by the Bank under Section 15.1-36-06 (Would be added to House Bill No. 1014).

HIGHER EDUCATION

- **Funding formula weighted credit-hours** - Amends Section 15-18.2-02 to adjust the weighting factor for medical school credits (Would be added to House Bill No. 1003).
- **Funding formula rate** - Amends Section 15-18.2-05 to adjust the student credit-hour funding rates for the higher education funding formula (Would be added to House Bill No. 1003).
- **Funding formula hold harmless clause** - Amends Section 15-18.2-06 to continue the hold harmless provision of the higher education funding formula through June 30, 2021 (Would be added to House Bill No. 1003).
- **Carryover authority** - Amends Section 54-44.1-11 to extend through July 31, 2021, the University System's authority to continue unexpended appropriations (Would be added to House Bill No. 1003).
- **Continuing appropriation authority for special funds** - Extends the continuing appropriation authority for special funds received by institutions, including tuition revenue, through the 2019-21 biennium (Would be added to House Bill No. 1003).
- **Higher education challenge grant program** - Continues the higher education challenge grant program into the 2019-21 biennium (Would be added to House Bill No. 1003).

INDUSTRIAL COMMISSION

- **Economic development programs** - Transfers $36 million of Bank of North Dakota profits for economic development programs, including the partnership in assisting community expansion (PACE) ($26 million), Ag PACE ($3 million), Biofuels PACE ($1 million), and the beginning farmer revolving loan fund ($6 million) (Would be added to House Bill No. 1014).
- **School construction loan interest rate buydown** - Transfers $5 million of Bank of North Dakota profits to continue interest rate buydowns on school construction loans issued by the Bank under Section 15.1-36-06 (Would be added to House Bill No. 1014).
- **North Dakota development fund** - Transfers $15 million of Bank of North Dakota profits to the North Dakota development fund to purchase existing venture capital assets held by the Bank (Would be added to House Bill No. 1014).
- **Revolving loan funds** - Transfers $80 million from the general fund to the infrastructure revolving loan fund ($55 million) and the school construction assistance revolving loan fund ($25 million) (Would be added to House Bill No. 1014).

HUMAN SERVICES

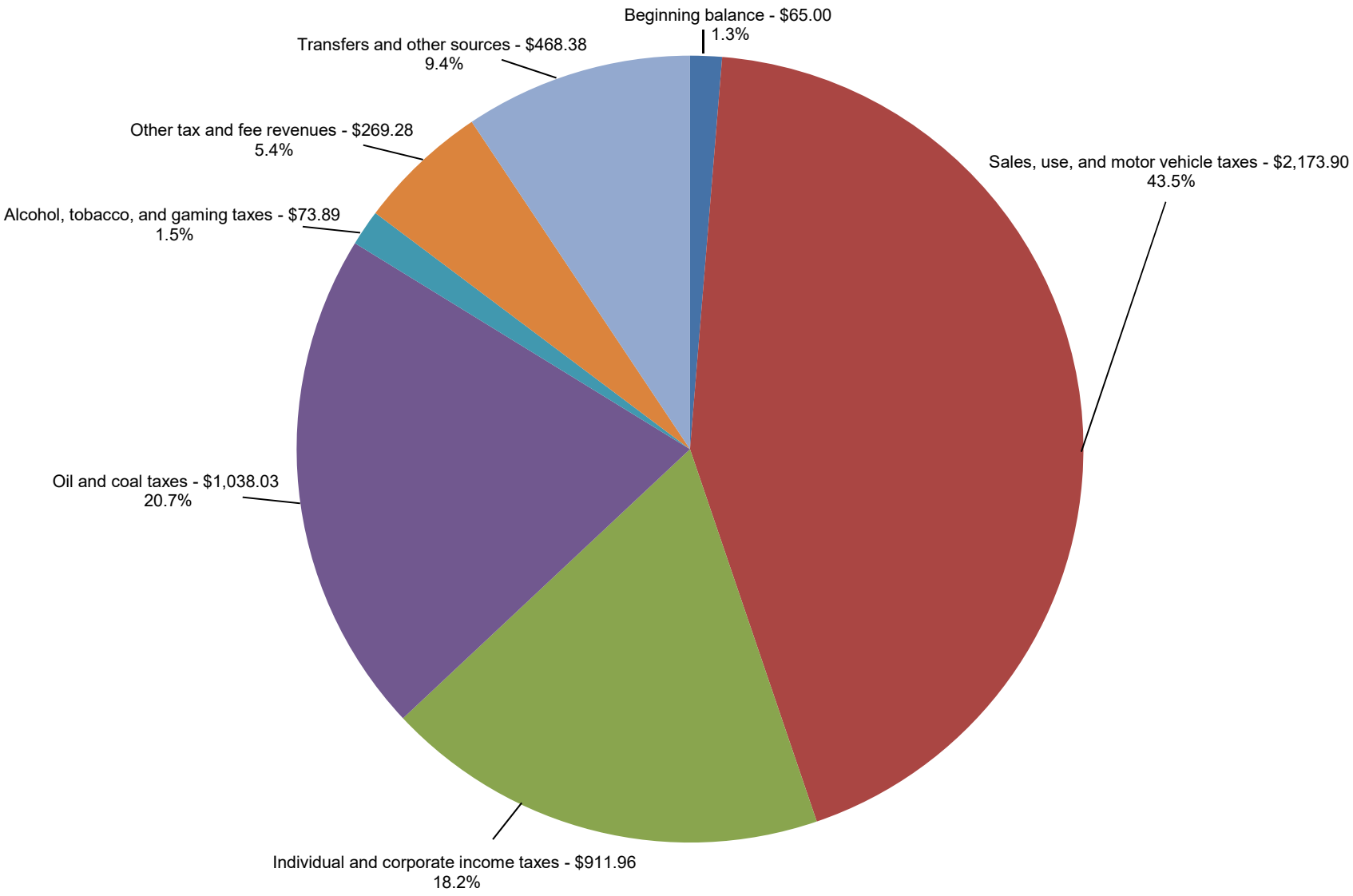
- **Medicaid Expansion** - Amends Section 50-24.1-37 to remove the sunset clause on implementing the Medicaid Expansion program, changes the program to a fee-for-service arrangement instead of managed care, and provides for the Department of Human Services to administer the program (Would be added to Senate Bill No. 2012).
- **Basic care and nursing facilities licensed beds** - Amends Section 23-16-01.1 to extend the moratoria on basic care and nursing facility bed capacity (Would be added to Senate Bill No. 2012).
- **County social service financing** - Implements the statutory changes needed for the state takeover of county social services and provides for the administration of social service programs through multicounty social service zones (Bill pending).
- **Transfer of buildings** - Authorizes the Department of Human Services to transfer buildings and land on the State Hospital grounds to the Department of Corrections and Rehabilitation for operations of the Tompkins Program (Would be added to Senate Bill No. 2012 and House Bill No. 1015).

OTHER

- **State employee health insurance** - Amends Section 54-52.1-06 to require state employees to pay a portion of health insurance premium costs (Bill pending).
- **Nongrandfathered health insurance plan** - Creates a new nongrandfathered health insurance plan option for state employees that offers additional benefits but has higher deductibles and coinsurance amounts (Bill pending)
- **State employee retirement contributions** - Increases contributions to the Public Employees Retirement System main plan by 2 percent effective January 1, 2020, with 1 percent paid by employees and 1 percent paid by the state (Senate Bill No. 2048)
- **Highway Patrol motor carrier electronic permit fund** - Amends Section 39-12-02 to allow funds in the motor carrier electronic permit fund to be used to defray expenses associated with the issuance of permits and other nonenforcement motor carrier training and administrative duties (Would be added to House Bill No. 1011).
- **Educational Technology Council amendment** - Transfers the Educational Technology Council from the Information Technology Department to the Department of Career and Technical Education by amending Chapter 15-20.1 related to the Department of Career and Technical Education to include the provisions of Sections 54-59-17 and 54-59-18 related to Educational Technology Council meetings, compensation, and powers and duties (Would be added to House Bill No. 1019).
- **Educational Technology Council repeal** - Repeals Sections 54-59-17 and 54-59-18 related to Educational Technology Council meetings, compensation, and powers and duties in the Information Technology Department (Would be added to House Bill No. 1021).
- **Petroleum tank release compensation fund** - Amends various sections of Chapter 23.1-37 to transfer the duties of administering the petroleum tank release compensation fund from the Insurance Department to the Department of Environmental Quality (Would be added to House Bill No. 1024).
- **Secretary of State general services operating fund** - Amends Section 54-09-08 to remove the requirement that any balance in the fund at the end of a biennium in excess of $75,000 be transferred to the general fund (Would be added to Senate Bill No. 2002).
- **Attorney General refund fund** - Allows the Attorney General to retain funds in the Attorney General refund fund that would otherwise be transferred to the general fund on June 30, 2019 (Would be added to Senate Bill No. 2003).
- **Attorney General lottery operating fund** - Amends Section 53-12.1-09 to increase the amount transferred from the lottery operating fund to the multijurisdictional drug task force grant fund from $105,625 to $200,000 each quarter (Would be added to Senate Bill No. 2003).
- **Special fuels excise taxes** - Amends Section 57-43.2-19 to continue the allocation of a portion of special fuels excise taxes to the rail safety fund (Would be added to Senate Bill No. 2008).
- **Insurance Department fund administration** - Amends Section 26.1-21-03 relating to the state bonding fund, Section 26.1-22-03 relating to the state fire and tornado fund, and Section 26.1-23.1-01 relating to government self-insurance pools to allow the Insurance Commissioner to contract for administration of the state bonding fund and the state fire and tornado fund (Would be added to Senate Bill No. 2010).
- **Insurance Department fees** - Amends Section 26.1-01-07 relating to fees chargeable by the Insurance Commissioner to adjust fees paid by county mutual insurance companies and benevolent societies (Would be added to Senate Bill No. 2010).
- **Adjutant General trust fund** - Amends Section 37-07.3-03 to allow the Adjutant General to use money from the National Guard training area and facility development trust fund for the expansion of Camp Grafton (Would be added to Senate Bill No. 2016).
- **Game and fish fund investments** - Amends Section 20.1-02-16.1 to authorize the State Investment Board to manage the investment of a portion of funds in the game and fish fund (Would be added to Senate Bill No. 2017).
- **Parks and Recreation Department concession revolving fund** - Amends Section 55-08-07.1 to authorize the Parks and Recreation Department to transfer any surplus in the department's concession revolving fund to the state park operating fund (Would be added to Senate Bill No. 2019).
- **State Water Commission loan** - Amends Section 61-02-79 to allow the State Water Commission to use Bank of North Dakota loan proceeds for water supply and flood control projects approved before June 30, 2021 (Would be added to Senate Bill No. 2020).

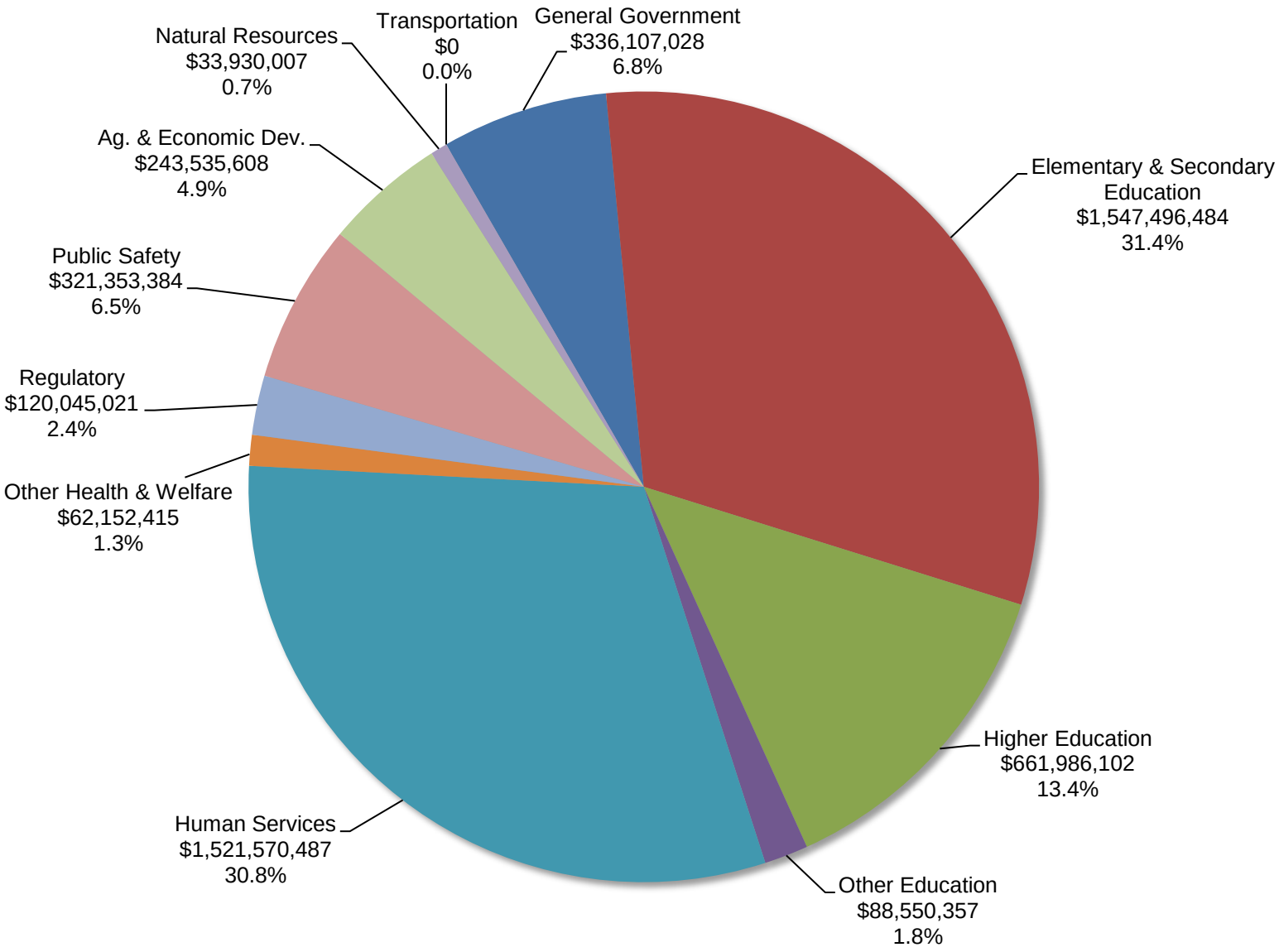
2019-21 ESTIMATED GENERAL FUND REVENUES

Total 2019-21 Estimated General Fund Revenues - $5,000,448,310
(Amounts Shown in Millions)



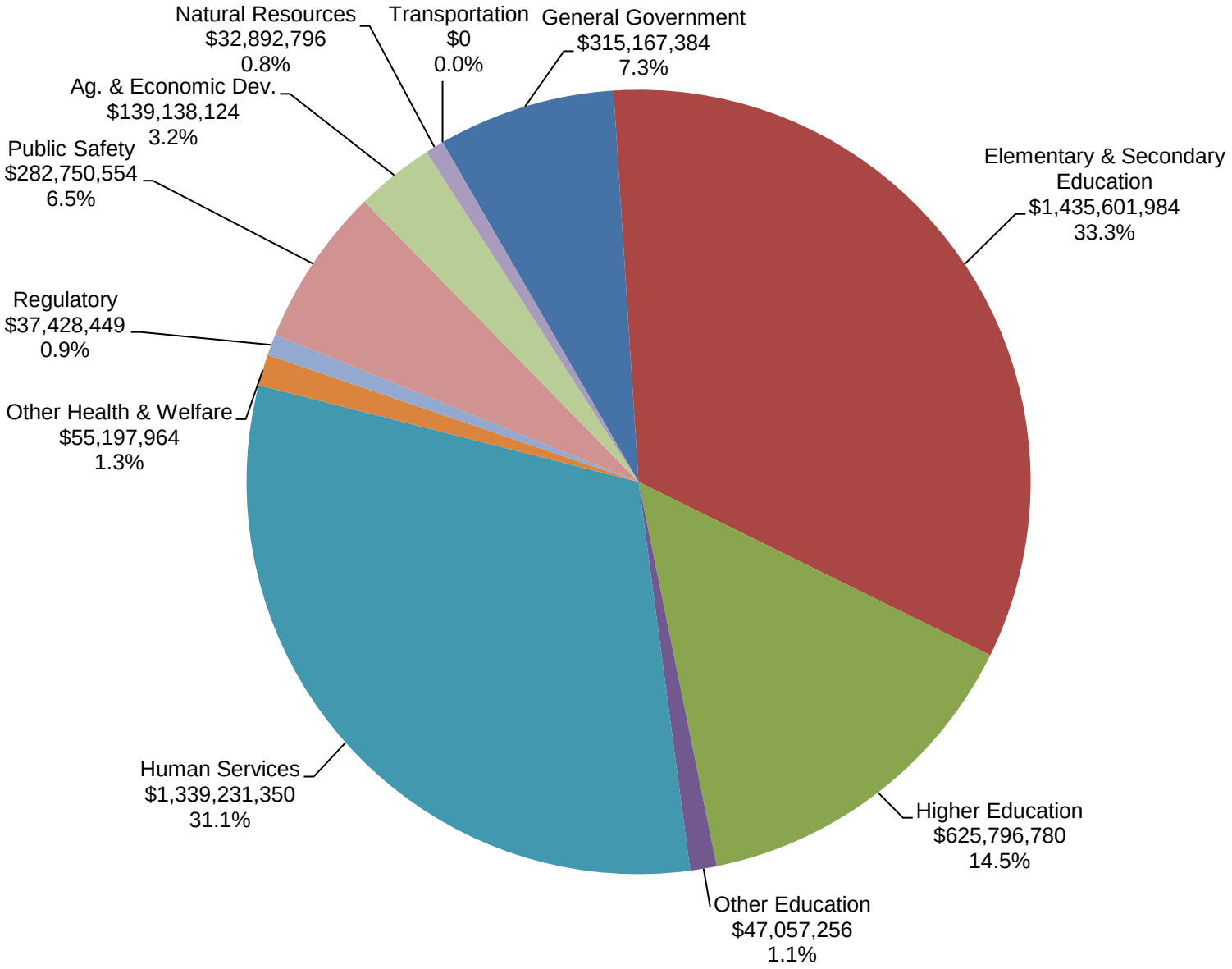
2019-21 BIENNIUM RECOMMENDED GENERAL FUND APPROPRIATIONS

Total 2019-21 Biennium Recommended General Fund Appropriations - $4,936,726,893



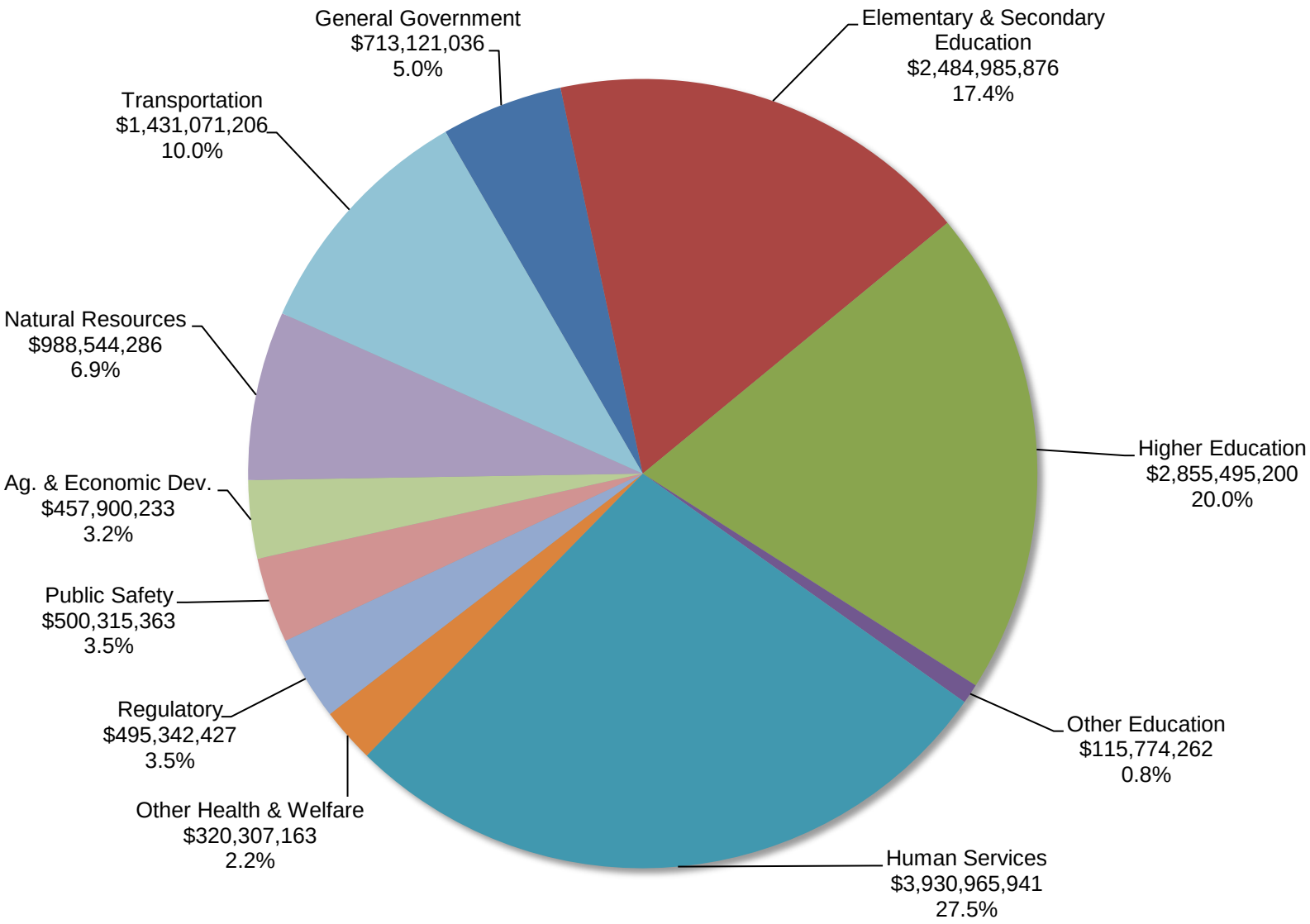
2017-19 BIENNIUM GENERAL FUND APPROPRIATIONS

Total 2017-19 Biennium General Fund Appropriations - $4,310,262,641



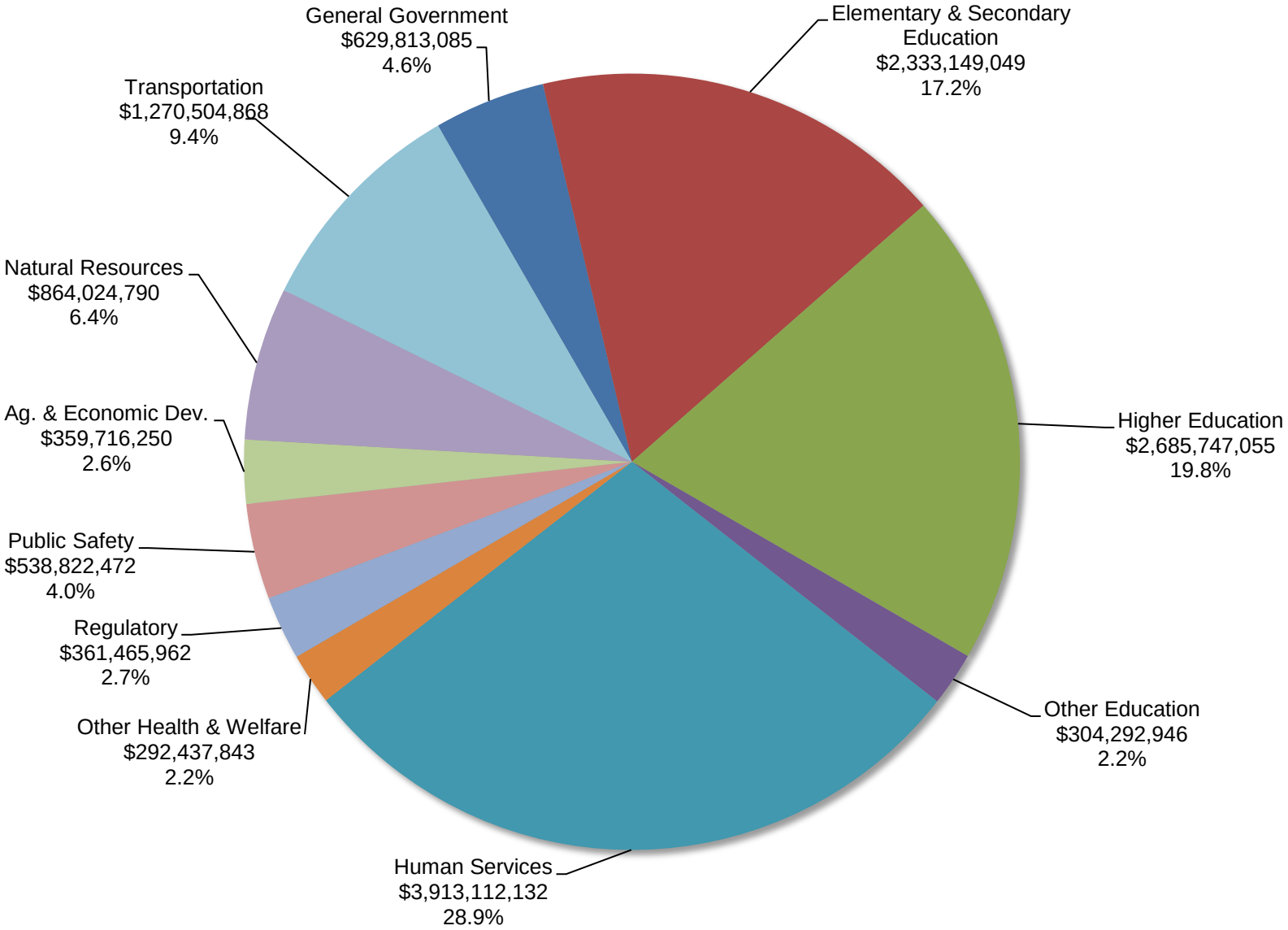
2019-21 BIENNIUM RECOMMENDED ALL FUNDS APPROPRIATIONS

Total 2019-21 Biennium Recommended All Funds Appropriations - $14,293,822,993



2017-19 BIENNIUM ALL FUNDS APPROPRIATIONS

Total 2017-19 Biennium All Funds Appropriations - $13,553,086,452



HISTORIC GENERAL FUND APPROPRIATIONS AND END-OF-BIENNIUM BALANCES

Biennium	General Fund Appropriations (Amounts Shown in Millions)[1]	End-of-Biennium General Fund Balance (Amounts Shown in Millions)	General Fund Balance as a Percentage of Appropriations
1971-73	$226.26	$52.50 [2]	23.2%
1973-75	$297.82	$150.50 [3]	50.5%
1975-77	$442.53	$208.30 [3]	47.1%
1977-79	$575.07	$151.00 [3]	26.3%
1979-81	$680.42	$174.50 [3]	25.6%
1981-83	$910.25	$43.40 [3]	4.8%
1983-85	$1,017.86	$150.41 [3]	14.8%
1985-87	$1,134.18	$18.66 [3]	1.6%
1987-89	$1,058.71	$40.00 [3,4]	3.8%
1989-91	$1,061.51	$105.67 [3]	10.0%
1991-93	$1,202.89	$19.76 [3]	1.6%
1993-95	$1,251.93	$31.15 [3]	2.5%
1995-97	$1,352.47	$65.00 [3,5]	4.8%
1997-99	$1,510.75	$61.11 [3]	4.0%
1999-2001	$1,614.88	$62.24 [3]	3.9%
2001-03	$1,727.97 [6]	$14.79 [3,7]	0.9%
2003-05	$1,816.89	$68.02 [3,8]	3.7%
2005-07	$2,000.54	$295.54 [3,9]	14.8%
2007-09	$2,579.31	$361.84 [3,10]	14.0%
2009-11	$3,296.59	$996.83 [3,11]	30.2%
2011-13	$4,297.00 [12]	$1,651.44 [3,13]	38.4%
2013-15	$6,879.67	$739.39 [14]	10.8%
2015-17	$5,687.29 [15]	$65.00 [16]	1.1%
2017-19	$4,310.26	$65.00 (estimate) [17]	1.5%
2019-21 Recommended	$4,936.73 [18]	$63.72 (estimate)	1.3%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[15]This amount reflects the 2015-17 original appropriations of $6,046.16 million less $359.49 million of general fund appropriations reduced by the Legislative Assembly during the August 2016 special legislative session. The amount also reflects $617,010 provided by the 2017 Legislative Assembly to the Department of Human Services for rate rebasing and substance use vouchers.

[16]This amount reflects certain transfers to the general fund approved by the Legislative Assembly during the August 2016 special legislative session, including a $572.5 million transfer from the budget stabilization fund, a $155.0 million transfer from the strategic improvement and investments fund, and a $100 million transfer from the Bank of North Dakota. In addition to the amount shown, $32.2 million was transferred to the budget stabilization fund. Pursuant to Section 54-27.2-02, any amount in the general fund in excess of $65.0 million at the end of the biennium must be transferred to the budget stabilization fund.

[17]The amount shown reflects the estimated 2017-19 biennium general fund ending balance as included in the 2019-21 executive budget, prior to a projected $312.16 million transfer to the budget stabilization fund at the end of the 2017-19 biennium. Pursuant to Section 54-27.2-02, any amount in the general fund in excess of $65.0 million at the end of the biennium must be transferred to the budget stabilization fund.

[18]The amount shown reflects recommended general fund appropriations for the 2019-21 biennium.

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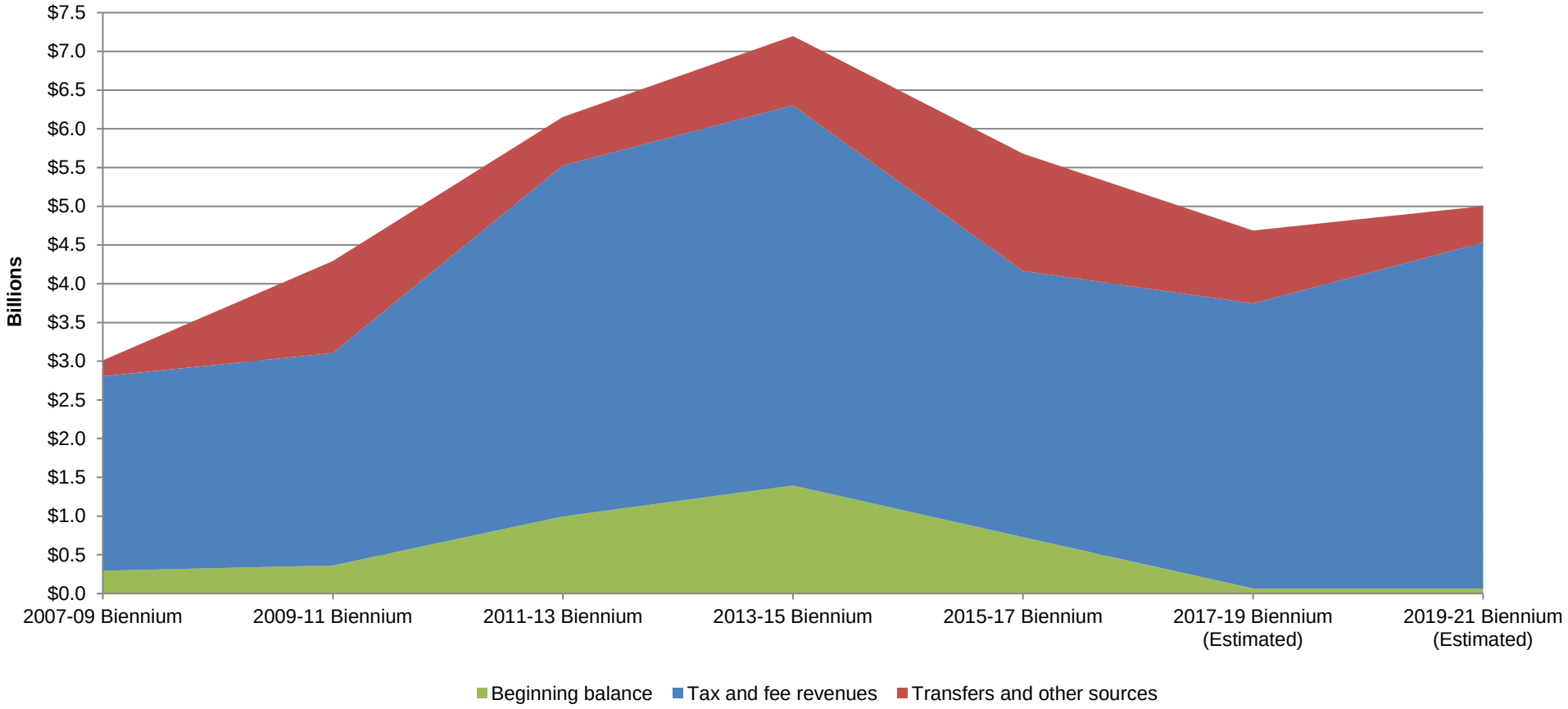
GENERAL FUND REVENUE SUMMARY

TOTAL GENERAL FUND REVENUES

Based on the December 2018 executive budget revenue forecast, total 2019-21 biennium general fund revenues, including the beginning balance, tax and fee revenues, and transfers and other sources are estimated to be $5,000,448,310, which is $313,576,438, or 6.7 percent, more than the total 2017-19 biennium revised estimated revenues of $4,686,871,872.

The following is a summary of revenues for the 2007-09 through 2019-21 bienniums:



	Actual					Estimated	
	2007-09 Biennium	**2009-11 Biennium**	**2011-13 Biennium**	**2013-15 Biennium**	**2015-17 Biennium**	**2017-19 Biennium**	**2019-21 Biennium**
Beginning balance	$295,541,176	$361,843,514	$996,832,711	$1,396,059,186	$729,529,389	$65,000,000	$65,000,000
Tax and fee revenues	2,509,657,137	2,742,612,281	4,530,367,522	4,906,838,448	3,437,604,096	3,681,849,300	4,467,057,286
Transfers and other sources	205,606,243	1,190,082,508	625,487,038	894,959,058	1,511,601,317	940,022,572	468,391,024
Total	**$3,010,804,556**	**$4,294,538,303**	**$6,152,687,271**	**$7,197,856,692**	**$5,678,734,802**	**$4,686,871,872**	**$5,000,448,310**

2019-21 BIENNIUM MAJOR REVENUE CHANGES AND KEY ECONOMIC ASSUMPTIONS

GENERAL FUND REVENUE

The 2019-21 biennium general fund tax and fee revenue collections are projected to increase by 21.3 percent, or $785.2 million, compared to the 2017-19 biennium revised revenue forecast. Compared to the 2017 legislative revenue forecast (original 2017-19 biennium forecast), the 2019-21 biennium general fund tax and fee revenue collections are projected to increase by 28.0 percent, or $976.2 million.

Major General Fund Tax and Fee Revenue Changes

Sales and Use Tax Collections

- Sales and use tax collections are projected to increase by $161.7 million, or 9.2 percent, compared to the 2017-19 biennium revised revenue forecast.

Motor Vehicle Excise Tax Collections

- Motor vehicle excise tax collections are projected to increase by $10.3 million, or 4.4 percent, compared to the 2017-19 biennium revised revenue forecast.

Individual Income Tax Collections

- Individual income tax collections are projected to increase by 6.0 percent, or $46.4 million, compared to the 2017-19 biennium revised revenue forecast.
- The executive budget recommendation includes estimated revenue reductions of $3.8 million for an automation income tax credit and $3.0 million for a military retiree pay income tax exemption related to individual income tax collections for the 2019-21 biennium.

Corporate Income Tax Collections

- Corporate income tax collections are projected to decrease by 40.5 percent, or $63.1 million, compared to the 2017-19 biennium revised revenue forecast.
- The decrease in corporate income tax collections is primarily related to the phase-in of the single sales factor income apportionment method of determining corporate income tax liability pursuant to Senate Bill No. 2292 (2015), operating losses carried forward, and federal income tax changes.
- The executive budget recommendation includes estimated revenue reductions of $1.3 million for an automation income tax credit related to corporate income tax collections for the 2019-21 biennium.

Oil and Gas Tax Revenue Collections

- The executive budget recommends increasing the allocation of oil and gas tax revenue collections to the general fund by $700 million, from $300 million to $1 billion for the 2019-21 biennium.

Major Transfers to the General Fund Changes

Bank of North Dakota Profit Transfer

- The executive budget includes a transfer of $140 million of Bank of North Dakota profits to the general fund for the 2019-21 biennium, the same as the 2017-19 biennium.

Mill and Elevator Profit Transfer

- The transfer of Mill and Elevator profits to the general fund is projected to decrease by 32.6 percent, or $6.5 million, from the 2017-19 biennium revised revenue forecast. The 2017 Legislative Assembly increased the transfer to 75 percent only for the 2017-19 biennium. The December 2018 executive budget recommendation, which provides for a transfer of 50 percent of the Mill and Elevator profits, reflects current law for the 2019-21 biennium.

Legacy Fund Transfer

- The executive budget projects legacy fund earnings transferred to the general fund will total $300 million for 2019-21 biennium, the same as the revised estimate for the 2017-19 biennium, but $100 million more than the original 2017-19 legislative forecast.

OIL AND GAS TAX REVENUE

Oil and gas tax collections are projected to increase by $101 million, from $4,526 million in the 2017-19 biennium to $4,627 million in the 2019-21 biennium, based on the December 2018 executive budget revenue forecast.

Allocation Formula Changes

State's Share of Oil and Gas Tax Allocations

- The executive budget recommends increasing the allocation to the general fund to $1 billion ($300 million per biennium under current law).

Oil Production and Oil Prices

Oil Production

- Oil production in September 2018 averaged 1.36 million barrels per day. Oil production is projected to remain at 1.30 million barrels per day through the end of the 2017-19 biennium and to increase to 1.34 million barrels per day in the 1st year and 1.35 million barrels per day in the 2nd year of the 2019-21 biennium.

Oil Prices

- North Dakota oil prices averaged $48 per barrel in November 2018, which reflects the average of the West Texas Intermediate price ($57) and the Flint Hills Resources price ($39). North Dakota oil prices are projected to decrease from $55 to $46 per barrel for the remainder of the 2017-19 biennium. For the 2019-21 biennium, North Dakota oil prices are projected to increase from $46 to $50 per barrel.

2019-21 BIENNIUM DECEMBER 2018 EXECUTIVE BUDGET REVENUE FORECAST COMPARED TO 2017-19 BIENNIUM ORIGINAL AND REVISED REVENUE FORECASTS

	2017-19 Biennium			2019-21 Biennium				
General Fund Revenue Source	Original Legislative Revenue Forecast[1]	Increase (Decrease) from Original to Revised	Revised Revenue Forecast	Increase (Decrease) December 2018 Revenue Forecast Compared to 2017-19 Revised Forecast		December 2018 Revenue Forecast	Total Increase (Decrease) December 2018 Revenue Forecast Compared to 2017-19 Original Forecast	
				Amount	Percentage		Amount	Percentage
Beginning balance	**$30,890,381**	**$34,109,619**	**$65,000,000** [2]	**$0**	**0.0%**	**$65,000,000** [3]	**$34,109,619**	**110.4%**
Tax and fee revenues								
Sales and use tax	$1,701,747,285	$64,612,921	$1,766,360,206	$161,730,794	9.2%	$1,928,091,000	$226,343,715	13.3%
Motor vehicle excise tax	220,003,000	15,469,237	235,472,237	10,335,763	4.4%	245,808,000	25,805,000	11.7%
Individual income tax	698,728,000	74,139,125	772,867,125	46,391,875	6.0%	819,259,000 [4]	120,531,000	17.3%
Corporate income tax	102,088,415	53,700,755	155,789,170	(63,092,170)	(40.5%)	92,697,000 [5]	(9,391,415)	(9.2%)
Oil and gas taxes	400,000,000	0	400,000,000 [6]	600,000,000	150.0%	1,000,000,000 [6]	600,000,000	150.0%
Coal conversion tax	39,564,000	2,373,227	41,937,227	(3,905,227)	(9.3%)	38,032,000	(1,532,000)	(3.9%)
Cigarette and tobacco tax	53,247,000	(1,192,451)	52,054,549	(3,773,549)	(7.2%)	48,281,000	(4,966,000)	(9.3%)
Insurance premium tax	129,637,121	(20,311,224)	109,325,897	(925,897)	(0.8%)	108,400,000	(21,237,121)	(16.4%)
Departmental collections	81,983,864	1,445,812	83,429,676	7,452,610	8.9%	90,882,286	8,898,422	10.9%
Other revenues	63,884,480	728,733	64,613,213	30,993,787	48.0%	95,607,000	31,722,520	49.7%
Total tax and fee revenues	**$3,490,883,165**	**$190,966,135**	**$3,681,849,300**	**$785,207,986**	**21.3%**	**$4,467,057,286**	**$976,174,121**	**28.0%**
Transfers and other sources								
Transfer - Bank of North Dakota profits	$140,000,000	$0	$140,000,000 [7]	$0	0.0%	$140,000,000 [7]	$0	0.0%
Transfer - Mill and Elevator Association profits	18,566,604	1,306,158	19,872,762 [8]	(6,472,762)	(32.6%)	13,400,000 [8]	(5,166,604)	(27.8%)
Transfer - Lottery	15,000,000	(400,000)	14,600,000	(1,600,000)	(11.0%)	13,000,000	(2,000,000)	(13.3%)
Transfer - Gas tax administration	2,016,120	0	2,016,120	(25,096)	(1.2%)	1,991,024	(25,096)	(1.2%)
Transfer - Legacy fund	200,000,000	100,000,000	300,000,000 [9]	0	0.0%	300,000,000 [9]	100,000,000	50.0%
Transfer - Strategic investment and improvements fund	248,000,000	0	248,000,000	(248,000,000)	(100.0%)	0	(248,000,000)	(100.0%)
Transfer - Tax relief fund	183,000,000	0	183,000,000	(183,000,000)	(100.0%)	0	(183,000,000)	(100.0%)
Transfer - Research North Dakota fund	4,000,000	0	4,000,000	(4,000,000)	(100.0%)	0	(4,000,000)	(100.0%)
Transfer - Insurance tax distribution fund	475,000	0	475,000	(475,000)	(100.0%)	0	(475,000)	(100.0%)
Transfer - Other	0	183,690	183,690	(183,690)	(100.0%)	0	0	N/A
Other - Political subdivision oil tax distributions	2,875,000	0	2,875,000	(2,875,000)	(100.0%)	0	(2,875,000)	(100.0%)
Other - Western Area Water Supply Authority loan refinance	25,000,000	0	25,000,000	(25,000,000)	(100.0%)	0	(25,000,000)	(100.0%)
Total transfers and other sources	**$838,932,724**	**$101,089,848**	**$940,022,572**	**($471,631,548)**	**(50.2%)**	**$468,391,024**	**($370,541,700)**	**(44.2%)**
Total general fund revenues	**$4,360,706,270**	**$326,165,602**	**$4,686,871,872**	**$313,576,438**	**6.7%**	**$5,000,448,310**	**$639,742,040**	**14.7%**

[1] These amounts reflect legislative estimates prepared at the close of the 2017 legislative session.

[2] This amount reflects the actual July 1, 2017, unobligated balance.

[3] The December 2018 executive budget recommendation projects a July 1, 2017, general fund balance of $65 million after a transfer of $312 million to the budget stabilization fund prior to July 1, 2019.

[4] The executive budget recommendation includes estimated revenue reductions of $3.8 million for an automation income tax credit and $3.0 million for a military retiree pay income tax exemption related to individual income tax collections for the 2019-21 biennium.

[5] The executive budget recommendation includes estimated revenue reductions of $1.3 million for an automation income tax credit related to corporate income tax collections for the 2019-21 biennium.

[6] The amounts shown for the oil and gas tax revenue collections for the 2017-19 biennium reflect the December 2018 executive budget assumptions for oil price and oil production as well as the legislative changes to the oil and gas tax allocation formulas. The amounts shown for the oil and gas tax revenue collections for the 2019-21 biennium reflect the December 2018 executive budget assumptions for oil price and oil production as well as a recommendation to change the oil and gas tax allocation formulas, including an increase in the allocation to the general fund from $300 million to $1 billion.

[7] Senate Bill No. 2014 approved by the 2017 Legislative Assembly provided for a transfer of $140 million from Bank of North Dakota profits to the general fund for the 2017-19 biennium. The December 2018 executive budget recommends transferring $140 million of Bank of North Dakota profits to the general fund for the 2019-21 biennium.

[8] The amount shown for the 2017-19 biennium reflects a transfer of 75 percent of the Mill and Elevator Association profits pursuant to changes approved by the 2017 Legislative Assembly. The amount shown for the 2019-21 biennium reflects the December 2018 executive budget recommendation, which provides for a transfer of 50 percent of the Mill and Elevator profits, the same as current law.

[9] Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides that the investment earnings are the realized earnings of the fund. The amounts shown reflect the December 2018 executive budget revenue forecast.

GENERAL FUND REVENUES FROM THE 2013-15 BIENNIUM TO THE 2019-21 BIENNIUM

General Fund Revenue Source	Actual		Estimated		2019-21 Biennium Increase (Decrease) Compared to the 2017-19 Biennium	
	2013-15 Biennium	2015-17 Biennium	2017-19 Biennium[1]	2019-21 Biennium[2]	Amount	Percentage
Tax and fee revenues						
Sales and use tax	$2,478,246,782	$1,717,867,835	$1,766,360,206	$1,928,091,000	$161,730,794	9.2%
Motor vehicle excise tax	277,152,752	221,784,455	235,472,237	245,808,000	10,335,763	4.4%
Individual income tax	1,050,062,577 [3]	666,659,667 [3]	772,867,125 [3]	819,259,000 [3]	46,391,875	6.0%
Corporate income tax	435,243,053 [4]	166,806,391 [4]	155,789,170 [4]	92,697,000 [4]	(63,092,170)	(40.5%)
Oil and gas taxes	300,000,000 [5]	300,000,000 [5]	400,000,000 [5]	1,000,000,000 [5]	600,000,000	150.0%
Coal conversion tax	40,767,149	43,669,236	41,937,227	38,032,000	(3,905,227)	(9.3%)
Cigarette and tobacco tax	60,262,693	56,398,692	52,054,549	48,281,000	(3,773,549)	(7.2%)
Wholesale liquor tax	18,704,869	17,897,487	17,877,575	18,757,000	879,425	4.9%
Gaming tax	7,195,937	6,722,715	6,528,322	6,850,000	321,678	4.9%
Insurance premium tax	92,526,177	110,725,700	109,325,897	108,400,000	(925,897)	(0.8%)
Financial institutions/Business privilege tax	(4,985,620) [6]	1,309,357 [6]	0 [6]	0 [6]	0	N/A
Departmental collections	83,270,753	83,175,546	83,429,676	90,882,286	7,452,610	8.9%
Interest income	27,042,938	15,547,723	8,277,250	38,000,000	29,722,750	359.1%
Mineral leasing fees	41,348,389	29,039,292	31,930,066	32,000,000	69,934	0.2%
Total tax and fee revenues	**$4,906,838,449**	**$3,437,604,096**	**$3,681,849,300**	**$4,467,057,286**	**$785,207,986**	**21.3%**
Transfers and other sources						
Transfer - Bank of North Dakota profits	$0	$100,000,000 [7]	$140,000,000 [7]	$140,000,000 [7]	$0	0.0%
Transfer - Mill and Elevator Association profits	6,817,200 [8]	9,051,496 [8]	19,872,762 [8]	13,400,000 [8]	(6,472,762)	(32.6%)
Transfer - Lottery	13,300,000	15,780,000	14,600,000	13,000,000	(1,600,000)	(11.0%)
Transfer - Gas tax administration	1,777,360	2,030,496	2,016,120	1,991,024	(25,096)	(1.2%)
Transfer - Legacy fund	0	0	300,000,000 [9]	300,000,000 [9]	0	0.0%
Transfer - Strategic investment and improvements fund	520,000,000	155,000,000	248,000,000	0	(248,000,000)	(100.0%)
Transfer - Tax relief fund	341,790,000	657,000,000	183,000,000	0	(183,000,000)	(100.0%)
Transfer - Budget stabilization fund	11,060,345	572,485,454	0	0	0	N/A
Transfer - Research North Dakota fund	0	0	4,000,000	0	(4,000,000)	(100.0%)
Transfer - Insurance tax distribution fund	0	0	475,000	0	(475,000)	(100.0%)
Transfer - Other	214,153	253,871	183,690	0	(183,690)	(100.0%)
Other - Political subdivision oil tax distributions	0	0	2,875,000	0	(2,875,000)	(100.0%)
Other - Western Area Water Supply Authority loan refinance	0	0	25,000,000	0	(25,000,000)	(100.0%)
Total transfers and other sources	**$894,959,058**	**$1,511,601,317**	**$940,022,572**	**$468,391,024**	**($471,631,548)**	**(50.2%)**
Total general fund revenues	**$5,801,797,507**	**$4,949,205,413**	**$4,621,871,872**	**$4,935,448,310**	**$313,576,438**	**6.8%**

[1] These amounts reflect the revised 2017-19 revenue forecast (December 2018).

[2] These amounts reflect the executive budget revenue forecast for the 2019-21 biennium.

[3] The amount shown for the 2013-15 biennium reflects an estimated revenue reduction of $200 million relating to income tax rate reductions of 19.3 percent as provided for in Senate Bill No. 2156 (2013). The amount shown for the 2015-17 biennium reflects an estimated revenue reduction of $87 million relating to income tax rate reductions of 9.9 percent as provided for in Senate Bill No. 2349 (2015). The December 2018 executive budget recommendations includes estimated revenue reductions of $3.8 million for an automation income tax credit and $3.0 million for a military retiree pay income tax exemption related to individual income tax collections for the 2019-21 biennium.

[4] The amount shown for the 2013-15 biennium reflects an estimated revenue reduction of a $50 million relating to income tax rate reductions of 11.9 percent as provided for in Senate Bill No. 2156 (2013). The amount shown for the 2015-17 biennium reflects an estimated revenue reduction of $21 million relating to income tax rate reductions of 4.9 percent as provided for in Senate Bill No. 2349 (2015). The executive budget recommendation includes estimated revenue reductions of $1.3 million for an automation income tax credit related to corporate income tax collections for the 2019-21 biennium.

[5] In House Bill No. 1451, the 2011 Legislative Assembly created a new section to Chapter 57-51.1 to allocate the state's share of oil and gas tax revenues to various state funds. The 2017 Legislative Assembly, in House Bill No. 1152, amended the section to change the allocations. Based on the changes approved by the 2017 Legislative Assembly, the section provides for the state's share to be allocated as follows in the 2019-21 biennium:

The first $200 million is deposited in the general fund;
The next $200 million is deposited in the tax relief fund;
The next $75 million is deposited in the budget stabilization fund;
The next $200 million is deposited in the general fund;
Twenty percent of the next $100 million, up to $3 million, is deposited in the lignite research fund;
Eighty percent or one hundred percent of the next $100 million, up to $97 million, is deposited in the strategic investment and improvements fund;
Up to the next $20 million is deposited in the state disaster relief fund, but not in an amount that would bring the unobligated balance of the fund to more than $20 million; and
Any additional revenues are deposited in the strategic investment and improvements fund.

Based on the December 2018 executive budget, the state's share of oil and gas tax collections are estimated to be $1,431 million for the 2017-19 biennium, including allocations of $400 million to the general fund, $200 million to the tax relief fund, $75 million to the budget stabilization fund, $3 million to the lignite research fund, $753 million to the strategic investment and improvements fund, and $0 to the state disaster relief fund.

The December 2018 executive recommendation changes the allocation of the state's share of oil and gas tax revenues to increase the general fund share to $1 billion. Based on the executive budget, the state's share of oil and gas tax collections are estimated to be $1,474 million for the 2019-21 biennium, including allocations of $1 billion to the general fund, $200 million to the tax relief fund, $3 million to the lignite research fund, and $271 million to the strategic investment and improvements fund.

[6] Senate Bill No. 2325 (2013) repealed the business privilege tax and requires financial institutions to file corporate income tax returns. The estimated fiscal impact of the bill is anticipated to result in a reduction of business privilege tax collections by $7.3 million and an increase corporate income tax collections by $22.5 million during the 2013-15 biennium. Due to the filing of amended tax returns, tax collections and tax refunds continued through the 2015-17 biennium.

[7] Senate Bill No. 2379 approved by the Legislative Assembly during the August 2016 special session provided for a transfer of up to $100 million from Bank of North Dakota profits to the general fund for the 2015-17 biennium. Senate Bill No. 2014 approved by the 2017 Legislative Assembly provided for a transfer of $140 million from Bank of North Dakota profits to the general fund for the 2017-19 biennium. The December 2018 executive budget recommends transferring $140 million of Bank of North Dakota profits to the general fund for the 2019-21

[8] The 2009 Legislative Assembly repealed the $5 million transfer from the Mill and Elevator Association for the 2007-09 biennium and provided for future transfers from the Mill and Elevator based on a percentage of mill profits. The 2013 Legislative Assembly limited the transfer from the Mill and Elevator for the 2013-15 biennium to 50 percent of mill profits or $6,817,200, whichever is less. The amount shown for the 2015-17 biennium reflects a transfer of 50 percent of the Mill and Elevator profits. The amount shown for the 2017-19 biennium reflects a transfer of 75 percent of the Mill and Elevator profits pursuant to changes approved by the 2017 Legislative Assembly. The amount shown for the 2019-21 biennium reflects the December 2018 executive budget recommendation, which provides for a transfer of 50 percent of the Mill and Elevator profits, the same as current law.

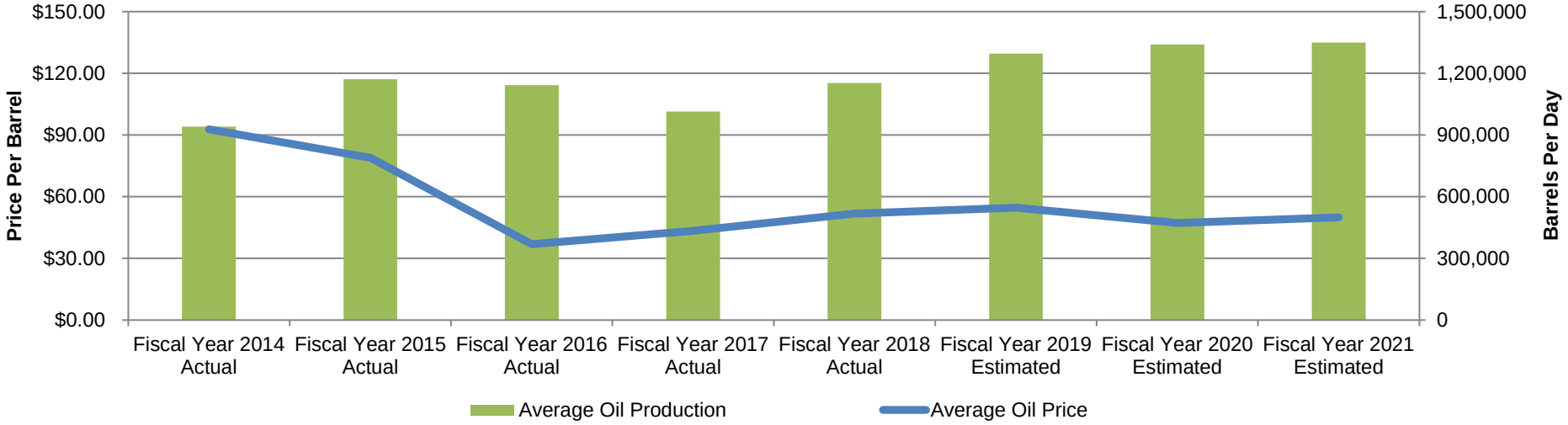
[9] Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides that the investment earnings are the realized earnings of the fund. The amounts shown reflect the December 2018 executive budget revenue forecast.

DEFICIENCY APPROPRIATIONS FOR THE 2017-19 BIENNIUM INCLUDED IN THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION

Description	General Fund	Other Funds	Total
Office of Management and Budget - Costs related to the Heritage Center lawsuit with Comstock Construction	$408,000		$408,000
Tax Department - Estimated amount needed for the homestead tax credit ($1,170,000) and the disabled veterans' tax credit ($150,000)	1,320,000		1,320,000
Industrial Commission - Estimated amount needed for higher than anticipated litigation costs	500,000		500,000
Adjutant general - Estimated amount needed to repay loans associated with a 2017 flooding event ($488,822), loans associated with law enforcement support related to unlawful activity during the construction of the Dakota Access Pipeline ($13,624,648), and loans associated with emergency hay supply during a 2017 drought event ($1,584,619)	15,698,089		15,698,089
State Historical Society - Estimated amount needed for legal fees associated with litigation related to the Heritage Center expansion project	280,000		280,000
Total deficiency appropriations for the 2017-19 biennium	**$18,206,089**	**$0**	**$18,206,089**

OIL PRODUCTION AND OIL PRICE

OIL PRODUCTION AND OIL PRICE TRENDS



	2013-15 Biennium		2015-17 Biennium		2017-19 Biennium		2019-21 Biennium	
	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Actual	Fiscal Year 2017 Actual	Fiscal Year 2018 Actual	Fiscal Year 2019 Estimated	Fiscal Year 2020 Estimated	Fiscal Year 2021 Estimated
Average daily oil production (barrels per day)	941,491	1,171,342	1,142,973	1,013,629	1,152,501	1,295,698	1,340,000	1,350,000
Average daily oil price (per barrel)	$92.77[1]	$78.83[1]	$36.89[1]	$43.42[1]	$51.74[1]	$54.66	$47.17	$50.00

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

NOTE: Monthly oil tax revenue allocations reflect oil prices and oil production from 2 months prior. For example, June 2019 oil prices and oil production relate to August 2019 oil tax revenue allocations. As a result, the fiscal year averages are based on the oil prices and oil production for the period June through May.

2019-21 BIENNIUM OIL PRODUCTION AND OIL PRICE CHANGES

Based on the executive budget revenue forecast's oil prices increasing from $46 to $50 per barrel for the 2019-21 biennium:

- For every 100,000 barrels of variance from the forecast, the total 2019-21 biennium oil and gas tax revenue collections would change by $344.0 million.
- For example, if oil production ranged from 1,440,000 to 1,450,000 barrels per day for the entire 2019-21 biennium, rather than ranging from 1,340,000 to 1,350,000 as forecasted, the total 2019-21 biennium oil and gas tax revenue collections would increase by $344.0 million, from $4,627.3 million to $4,971.3 million.

Based on the executive budget revenue forecast's oil production ranging from 1,340,000 to 1,350,000 barrels per day for the 2019-21 biennium:

- For every $1 of variance from the forecast, the total 2019-21 biennium oil and gas tax revenue collections would change by $95.2 million.
- For example, if oil prices ranged from $47 to $51 for the 2019-21 biennium, rather than ranging from $46 to $50 as forecasted, the total 2019-21 biennium oil and gas tax revenue collections would increase by $95.2 million, from $4,627.3 million to $4,722.5 million.

ALLOCATION OF ESTIMATED OIL EXTRACTION AND OIL AND GAS GROSS PRODUCTION TAXES FOR THE 2019-21 BIENNIUM (AMOUNTS SHOWN IN MILLIONS)

2019-21 Biennium Estimated Allocations Based on the December 2018 Executive Budget Revenue Forecast												
Tax	Tribal Share[3]	Legacy Fund[4]	North Dakota Outdoor Heritage Fund[5]	Abandoned Well Reclamation Fund[6]	Oil and Gas Impact Grant Fund[7]	Political Subdivisions[8]	Common Schools Trust Fund[9]	Foundation Aid Stabilization Fund[9]	Resources Trust Fund[10]	Oil and Gas Research Fund[11]	State Share[12]	Total
Gross production tax[1]	$224.40	$633.93	$30.22	$14.81	$5.00	$653.68				$7.09	$768.38	$2,337.51
Oil extraction tax[2]	219.82	621.00					$185.02	$185.02	$370.03	2.91	706.00	2,289.80
Total	$444.22	$1,254.93	$30.22	$14.81	$5.00	$653.68	$185.02	$185.02	$370.03	$10.00	$1,474.38	$4,627.31

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

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

[2]The oil extraction tax rate is 5 percent of the gross value at the well for oil production after December 31, 2015 (House Bill No. 1476 (2015)). Certain tax exemptions are available, including stripper wells, incremental oil production, and wells outside the Bakken and Three Forks Formations.

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

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

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

[5]The 2013 Legislative Assembly in House Bill No. 1278 amended Section 57-51-15 to allocate 4 percent of the first 1 percent of the oil and gas gross production tax revenue to a newly created North Dakota outdoor heritage fund. The 2015 Legislative Assembly in House Bill No. 1176 increased the allocation to 8 percent with an annual limit of $20 million.

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

[7]The 2017 Legislative Assembly amended Section 57-51-15 to provide an allocation of up to $25 million to the oil and gas impact grant fund for the 2017-19 biennium and an allocation of up to $5 million in subsequent bienniums.

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

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

[9]The 1993 Legislative Assembly passed Senate Concurrent Resolution No. 4011, which contained a constitutional amendment relating to the allocation of oil extraction tax revenues. The constitutional amendment was approved by the voters in the November 1994 general election to allocate 20 percent of the oil extraction tax revenues equally between the common schools trust fund and the foundation aid stabilization fund.

[10]The amount shown reflects the estimated allocation of 20 percent of oil extraction taxes to the resources trust fund. In House Bill No. 1020, the 2017 Legislative Assembly amended Section 57-51.1-07 to provide for the following:

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

Section 61-02-78, as created by the Legislative Assembly in Senate Bill No. 2233 (2013), established an infrastructure revolving loan fund within the resources trust fund, which became effective January 1, 2015. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. The 2017 Legislative Assembly amended the section to limit the total allocations to $26 million.

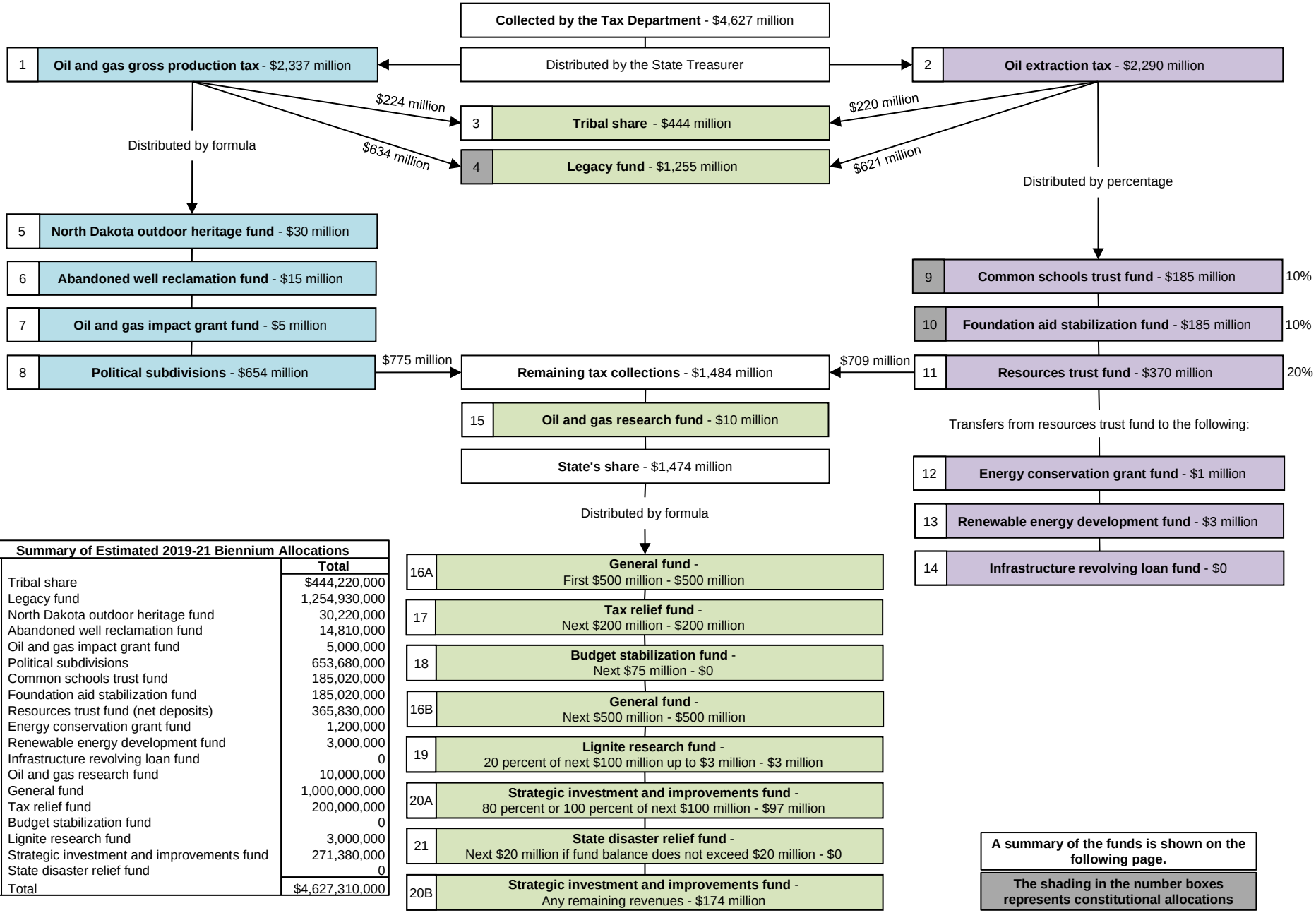
[11]Section 57-51.1-07.3 (Senate Bill No. 2311 (2003)) establishes an oil and gas research fund and provides 2 percent of the state's share of oil and gas gross production tax and oil extraction tax revenues, up to $4 million per biennium, are to be deposited in the oil and gas research fund. All money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

[12]The 2011 Legislative Assembly created a new section to Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund. In House Bill No. 1152, the 2017 Legislative Assembly amended the section to change the allocations. **The executive budget includes a recommendation to change the allocations to provide the following for the 2019-21 biennium**:

- The first $500 million is deposited in the general fund ($500 million);
- The next $200 million is deposited in the tax relief fund ($200 million);
- The next $75 million is deposited in the budget stabilization fund, but not in an amount that would bring the balance of the fund to more than the statutory limit ($0);
- The next $500 million is deposited in the general fund ($500 million);
- 20 percent of the next $100 million is deposited in the lignite research fund, up to $3 million ($3 million);
- 80 percent or 100 percent of the next $100 million is deposited in the strategic investment and improvements fund, up to $97 million per biennium ($97 million);
- The next $20 million is deposited in the state disaster relief fund, but not in an amount that would bring the unobligated balance to more than $20 million ($0);
- Any remaining revenues are deposited in the strategic investment and improvements fund ($174 million).

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

2019-21 BIENNIUM OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART BASED ON THE DECEMBER 2018 EXECUTIVE BUDGET



Summary of Estimated 2019-21 Biennium Allocations

		Total
3	Tribal share	$444,220,000
4	Legacy fund	1,254,930,000
5	North Dakota outdoor heritage fund	30,220,000
6	Abandoned well reclamation fund	14,810,000
7	Oil and gas impact grant fund	5,000,000
8	Political subdivisions	653,680,000
9	Common schools trust fund	185,020,000
10	Foundation aid stabilization fund	185,020,000
11	Resources trust fund (net deposits)	365,830,000
12	Energy conservation grant fund	1,200,000
13	Renewable energy development fund	3,000,000
14	Infrastructure revolving loan fund	0
15	Oil and gas research fund	10,000,000
16	General fund	1,000,000,000
17	Tax relief fund	200,000,000
18	Budget stabilization fund	0
19	Lignite research fund	3,000,000
20	Strategic investment and improvements fund	271,380,000
21	State disaster relief fund	0
	Total	$4,627,310,000

NOTE: The amounts shown are preliminary estimates. **The actual amounts allocated for the 2019-21 biennium may differ significantly from these amounts** based on actual oil price and oil production.

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted and tax on gas of four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by House Bill No. 1476 (2015), provides for a tax of 5 percent of the gross value at the well on the extraction of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate was 6.5 percent.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax related to the oil production within the Fort Berthold Reservation. The oil and gas tax revenues are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.
4	Legacy fund	Section 26 of Article X of the Constitution of North Dakota provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production and extraction.
5	North Dakota outdoor heritage fund	House Bill No. 1278 (2013) created the North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1176 (2015) amended Section 57-51-15 to provide 8 percent of revenues from the first 1 percent of the oil and gas gross production tax, up to $20 million per fiscal year, be deposited in the fund. Senate Bill No. 2013 (2017) limits the allocations to $10 million per biennium only for the 2017-19 biennium.
6	Abandoned oil and gas well plugging and site reclamation fund	House Bill No. 1333 (2013) and House Bill No. 1032 (2015) amended Section 57-51-15 to increase the allocations to the abandoned oil and gas well plugging and site reclamation fund. Based on current law, 4 percent of the first 1 percent of oil and gas gross production tax is allocated to the fund not to exceed $7.5 million per fiscal year and not in an amount that would bring the balance of the fund to more than $100 million. Senate Bill No. 2013 (2017) limits the allocations to $4 million per fiscal year only for the 2017-19 biennium.
7	Oil and gas impact grant fund	Section 57-51-15 (House Bill No. 1302 (1989)) establishes the oil and gas impact grant fund to provide grants to political subdivisions impacted by oil development. House Bill No. 1176 (2015) amended Section 57-51-15 to provide an allocation from the first 1 percent of the 5 percent oil and gas gross production tax, up to $140 million for the 2015-17 biennium. Senate Bill No. 2013 (2017) decreases the allocations to provide up to $25 million per biennium for the 2017-19 biennium, and after the 2017-19 biennium, to provide up to $5 million per biennium.
8	Political subdivisions	Oil and gas gross production taxes are distributed to political subdivisions under Section 57-51-15, as amended by Senate Bill No. 2013 (2017).
9	Common schools trust fund	Section 1 of Article IX of the Constitution of North Dakota provides for a common schools trust fund to be used to support the common schools of the state. Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. The earnings are distributed through the state school aid payments.
10	Foundation aid stabilization fund	Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24, as amended by Senate Concurrent Resolution No. 4003 (2015) and approved by the voters, restricts a portion of the fund to offset state school aid payments due to a revenue shortfall and allows the remainder to be used for educational purposes.
11	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Section 22 of Article X of the Constitution of North Dakota provides that the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation.
12	Energy conservation grant fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to $1.2 million per biennium. House Bill No. 1020 (2017) limits the allocations to $200,000 per biennium only for the 2017-19 biennium.
13	Renewable energy development fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to $3 million per biennium. House Bill No. 1020 (2017) decreases the percentage transferred from 5 to 3 percent.
14	Infrastructure revolving loan fund	Senate Bill No. 2233 (2013) created an infrastructure revolving loan fund within the resources trust fund to provide loans for water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund. House Bill No. 1020 (2017) limits the total amount deposited in the infrastructure revolving loan fund to $26 million.
15	Oil and gas research fund	Section 57-51.1-07.3 (Senate Bill No. 2311 (2003)) establishes the oil and gas research fund for the Oil and Gas Research Council to provide grants. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas tax revenues, up to $10 million per biennium, is to be deposited into the oil and gas research fund.
16A, 16B	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5, as amended by House Bill No. 1152 (2017) provides for an allocation of $400 million of the state's share of oil and gas tax revenues to the general fund for the 2017-19 biennium and an allocation of $300 million after the 2017-19 biennium. **The executive budget recommends increasing the general fund allocation to $1 billion.**
17	Tax relief fund	House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for the allocation of $200 million of the state's share of oil and gas tax revenues to the tax relief fund each biennium.
18	Lignite research fund	The lignite research fund is established under Section 57-61-01.6 for research, development projects, and marketing activities related to the lignite industry. House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for an allocation of up to $3 million from the state's share of oil and gas tax revenues.

19	Budget stabilization fund	The budget stabilization fund is established under Section 54-27.2-01. The governor may order a transfer from the budget stabilization fund to the general fund when certain criteria are met to offset a general fund revenue shortfall. House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for an allocation of up to $75 million from the state's share of oil and gas tax revenues, but not in an amount that would bring the balance of the fund to more than the statutory limit.
20A, 20B	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the allocation of certain oil tax revenues to the strategic investment and improvements fund.
21	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used for the required state share of funding for expenses associated with presidential-declared disasters. Section 57-51.1-07.5, as amended by House Bill No. 1152 (2017), provides for the distribution of up to $20 million of oil tax revenues to the state disaster relief fund each biennium, but not in an amount that would bring the balance of the fund to more than $20 million.

SECTION C - APPROPRIATIONS

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GENERAL FUND APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares general fund appropriations recommended in the 2019-21 executive budget to the 2017-19 appropriations approved by the 2017 Legislative Assembly and lists major changes:

	2017-19 Legislative Appropriations	Executive Budget Ongoing Increase (Decrease) From 2017-19	Executive Budget One-Time Increase (Decrease) From 2017-19	2019-21 Executive Budget Recommendation
Ongoing general fund appropriations	$4,269,624,415	$356,033,285		$4,625,657,700
One-time general fund appropriations	40,638,226		$270,430,967	311,069,193
Total	$4,310,262,641	$356,033,285	$270,430,967	$4,936,726,893
Major changes include:				
Recommended salary and fringe benefits increase (including higher education)		$77,845,982		
Department of Public Instruction		108,167,411	$3,325,000	
Higher education		(17,086,952)	28,195,374	
Department of Career and Technical Education		10,679,410	29,750,000	
Department of Human Services		160,503,393	9,000,000	
Bank of North Dakota			80,000,000	
Department of Corrections and Rehabilitation		8,881,568	916,250	
Adjutant General		609,356	15,181,000	
Department of Commerce		5,108,663	99,000,000	
Other net changes		1,324,454	5,063,343	
Total		$356,033,285	$270,430,967	

Major changes and key recommendations affecting 2019-21 general fund appropriations include:

- **Recommended salary and fringe benefits increase, including higher education - $77.8 million.** The executive budget includes funding for state employee salary increases of up to 4 percent effective July 1, 2019, and 2 percent effective July 1, 2020. For agencies able to identify long-term salary savings, an additional 2 percent salary increase is authorized effective July 1, 2020. Funding is also provided for employee health insurance premium increases of $158 per month, from $1,241 to $1,398 per month. The executive budget also recommends increasing contributions to the retirement plan by 2 percent, 1 percent paid by the employee and 1 percent paid by the state, along with a one-time transfer of $265 million from the strategic investment and improvements fund to the public employees retirement fund. See the **STATE EMPLOYEES** section for additional information on state employee salary increases.
- **Department of Public Instruction - $111.5 million.** The executive budget provides integrated formula payments totaling $2,050.7 million, an increase of $115.5 million from the $1,935.2 million provided during the 2017-19 biennium. The increase of $115.5 million includes an increase in funding of $74.2 million from the state tuition fund and a decrease in funding of $62.2 million from the foundation aid stabilization fund. Funding from the general fund for integrated formula payments is increased by $103.5 million. In addition to increased funding for integrated formula payments, the executive budget includes an increase in funding of $5.7 million from the general fund for special education contract grants and $3 million from the general fund as one-time funding for cybersecurity education for teachers. See the **ELEMENTARY EDUCATION** section for additional information.
- **Higher education - $11.1 million.** The executive budget adjusts funding from the general fund as follows:

  $25.3 million decrease relating to a 5 percent reduction in the student credit-hour funding formula.

  $4.4 million increase for institution distributions based on student credit-hours completed through the higher education funding formula, including a $6.2 million increase from residency positions at the University of North Dakota School of Medicine and Health Sciences.

  $4.5 million increase to continue residency positions at the University of North Dakota School of Medicine and Health Sciences. This amount is in addition to the $6.2 million increase provided through the student credit-hour funding formula for residency positions.

  $2.9 million increase for the academic and career and technical education scholarship program.

  $28.2 million increase in one-time funding from the general fund, including a $38 million increase in one-time funding for the higher education challenge fund to provide matching grants for academic enhancements and scholarships to North Dakota University System institutions.

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

- **Department of Career and Technical Education - $40.4 million.** The executive budget provides $30 million of one-time funding from the general fund for workforce development competitive grants for the establishment of career academies. The executive budget recommends the transfer of the Center for Distance of Education from the Information Technology Department to the Department of Career and Technical Education, including $8.2 million from the general fund and 29.80 full-time equivalent (FTE) positions.
- **Department of Human Services - $169.5 million.** The executive budget changes funding from the general fund as follows:

  $42.5 million increase to replace 2017-19 biennium appropriations from the tobacco prevention and control trust fund and community health trust fund.

  $27.9 million increase relating to federal medical assistance percentage changes.

  $13.6 million increase for an inflationary increase of 1 percent in the 1st year of the biennium and 1 percent in the 2nd year of the biennium for human service providers.

  $69.6 million increase for anticipated cost, caseload, and utilization changes.

  $8.9 million increase in one-time funding primarily related to the construction of a new state behavioral hospital and clinic.

  See the **HUMAN SERVICES** section for additional information.
- **Bank of North Dakota - $80 million.** The executive budget provides $80 million of one-time funding from the general fund for a $55 million transfer to the infrastructure revolving loan fund and a $25 million transfer to the school construction assistance revolving loan fund.
- **Department of Corrections and Rehabilitation - $9.8 million.** The executive budget adjusts funding from the general fund as follows:

  $11.2 million increase and 36.2 FTE positions to establish a minimum security correctional facility at the James River Correctional Center.

  $1.6 million increase and 8.6 new FTE positions in addition to current facility staff to convert the Missouri River Correctional Center to a female correctional facility.

  $10.8 million decrease to remove the Dakota Women's Correctional and Rehabilitation Center contract.

  $5 million increase and 27.5 FTE positions to assume administrative control of the Tompkins Rehabilitation and Corrections Center.

  $8.6 million decrease to remove contract payments to the Department of Human Services relating to the Tompkins Rehabilitation and Corrections Center.

  $3.9 million increase to contract with the State Hospital for up to 30 addiction treatment beds.
- **Adjutant General - $15.8 million.** The executive budget provides $15 million of one-time funding from the general fund to expand Camp Grafton South.
- **Department of Commerce - $104.1 million.** The executive budget provides $100 million of one-time funding from the general fund, including $30 million for a beyond visual line of site system to promote implementation of unmanned aerial vehicles, $20 million for Research ND, and $50 million for the Theodore Roosevelt Presidential Library project in Medora.

SPECIAL FUNDS APPROPRIATIONS - MAJOR CHANGES AND KEY RECOMMENDATIONS

The following schedule compares all funds and special funds appropriations included in the 2019-21 executive budget to the 2017-19 appropriations approved by the Legislative Assembly and lists major special funds sources changes:

	2017-19 Legislative Appropriations	Increase (Decrease) From 2017-19	2019-21 Executive Budget
All funds appropriations	$13,553,086,452	$740,736,541	$14,293,822,993
Less general fund appropriations	4,310,262,641	626,464,252	4,936,726,893
Total special funds appropriations	$9,242,823,811	$114,272,289	$9,357,096,100
Major special funds sources and changes include:			
Federal funds	$3,821,529,596[1]	($102,384,646)	$3,719,144,950
Higher Education	2,041,619,926	151,889,172	2,193,509,098
State Water Commission	694,699,588	102,375,781	797,075,369
Department of Transportation	597,020,500	95,136,231	692,156,731
Department of Public Instruction	609,003,837	5,320,868	614,324,705
Department of Human Services	350,265,068	(11,724,013)	338,541,055
Information Technology Department	221,691,988	56,604,140	278,296,128
Aeronautics Commission	8,960,412	20,957,112	29,917,524
Attorney General's office	31,200,660	(8,173,855)	23,026,805
Office of the Adjutant General	35,359,301	(24,931,712)	10,427,589
Department of Trust Lands	238,481,273	(229,806,642)	8,674,631
Other	592,991,662	59,009,853	652,001,515
Total	$9,242,823,811	$114,272,289	$9,357,096,100

[1]The amount shown for the 2017-19 biennium is the total federal funds appropriated by the 2017 Legislative Assembly as reported by state agencies on a survey for the Budget Section completed in September 2018.

Major changes and key recommendations affecting 2019-21 special funds appropriations include:

- **Federal funds - ($102,384,646).** The executive budget recommends a decrease of regular federal funds of $102,384,646. Please refer to the federal funds comparison schedule under the **APPROPRIATIONS** section for additional information.
- **Higher education - $151,889,172.** The increase relates primarily to additional funding provided for North Dakota University System capital projects, including the Memorial Union project ($80.0 million) at the University of North Dakota and the Dunbar Hall project ($51.3 million) at North Dakota State University.
- **State Water Commission - $102,375,781.** The increase relates primarily to an increase in estimated revenue deposited in the resources trust fund from oil and gas tax collections and additional revenue in the water development trust fund from an additional tobacco settlement agreement payment ($17.0 million).
- **Department of Transportation - $95,136,231.** The increase relates primarily to an increase in funding anticipated to be distributed from the highway tax distribution fund and funding provided from the strategic investment and improvements fund for upgrades and maintenance of information technology applications ($39.6 million).
- **Department of Public Instruction - $5,320,868.** The increase relates primarily to additional funding available in the state tuition fund ($74.2 million) as a result of increased distributions from the common schools trust fund and a decrease in funding provided from the foundation aid stabilization fund ($68.8 million).
- **Department of Human Services - ($11,724,013).** The decrease relates primarily to a reduction of funding for tobacco prevention and control activities ($37.8 million) and an increase in social services funding ($47.6 million).
- **Information Technology Department - $56,604,140.** The increase relates primarily to additional funding for the information technology unification initiative ($44.5 million) and various information technology projects from the strategic investment and improvements fund ($66.1 million), and reduced funding for the health information network expansion project ($44.0 million), and the statewide interoperable radio network project ($12.4 million).

- **Aeronautics Commission - $20,957,112.** The increase relates primarily to one-time funding of $22.0 million recommended from the strategic investment and improvements fund for energy impact grants for airports.
- **Attorney General's office - ($8,173,855).** The decrease relates primarily to a reduction of one-time funding from the strategic investment and improvements fund provided by the 2017 Legislative Assembly for settlement payments to The Racing Services Inc.
- **Office of the Adjutant General - ($24,931,712).** The decrease relates primarily to a reduction of one-time funding provided by the 2017 Legislative Assembly for law enforcement support relating to unlawful activity associated with the construction of the Dakota Access Pipeline.
- **Department of Trust Lands - ($229,806,642).** The decrease is primarily due to reductions of one-time funding provided by the 2017 Legislative Assembly, including mineral revenue repayments ($100.0 million), a Bank of North Dakota line of credit ($87.0 million), and grants to airports ($40.0 million).

FEDERAL FUNDS COMPARISON OF 2017-19 APPROPRIATIONS AND 2019-21 EXECUTIVE BUDGET RECOMMENDATION

Agency	2017-19 Appropriation[1]	2017-19 Current Estimate[1]	2019-21 Executive Budget	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriation	Percentage Increase (Decrease)
Department of Human Services	$2,270,114,265	$2,240,986,421	$2,070,854,399	($199,259,866) [2]	(8.8%) [2]
Department of Transportation	666,400,000	666,400,000	738,914,475	72,514,475 [3]	10.9% [3]
Adjutant General	162,491,836	107,747,260	105,654,279	(56,837,557) [4]	(35.0%) [4]
Department of Public Instruction	288,306,970	304,725,129	323,164,687	34,857,717 [5]	12.1% [5]
State Water Commission	27,442,424	14,190,996	39,122,817	11,680,393 [6]	42.6% [6]
Job Service North Dakota	53,851,918	63,766,298	65,506,186	11,654,268 [7]	21.6% [7]
State Department of Health	91,253,720	89,601,124	102,189,048	10,935,328 [8]	12.0% [8]
Department of Corrections and Rehabilitation	9,647,566	8,922,513	16,672,171	7,024,605	72.8%
Attorney General	9,707,450	18,410,361	14,098,436	4,390,986	45.2%
Department of Commerce	48,361,630	45,329,212	44,118,804	(4,242,826)	(8.8%)
Department of Career and Technical Education	8,685,974	9,170,296	12,048,148	3,362,174	38.7%
Parks and Recreation Department	4,159,900	4,159,900	7,323,637	3,163,737	76.1%
Housing Finance Agency	31,244,828	30,134,700	32,896,600	1,651,772	5.3%
Public Service Commission	10,459,337	7,964,350	10,967,025	507,688	4.9%
Department of Environmental Quality	27,878,369	27,360,663	28,244,491	366,122	1.3%
NDSU Main Research Center	8,419,260	8,419,260	8,762,811	343,551	4.1%
Upper Great Plains Transportation Institute	12,478,218	8,787,023	12,785,620	307,402	2.5%
Department of Agriculture	12,089,336	12,089,336	11,980,324	(109,012)	(0.9%)
NDSU Extension Service	7,740,790	7,740,790	7,347,968	(392,822)	(5.1%)
Game and Fish Department	38,222,467	33,943,095	37,351,076	(871,391)	(2.3%)
All other agencies and institutions	32,573,338	34,066,832	29,141,948	(3,431,390)	(10.5%)
Total	$3,821,529,596	$3,743,915,559	$3,719,144,950	($102,384,646)	(2.7%)

[1] 2017-19 appropriation and 2017-19 current estimate - These amounts were reported by state agencies and institutions in response to a Legislative Council survey completed in September 2018 for the Budget Section.

[2] **Department of Human Services - $199,259,866 decrease**
The decrease is primarily attributable to an anticipated decrease in funding for the following program:

Medicaid (from $1,779,606,221 in 2017-19 to $1,597,869,251 in 2019-21)	($181,736,970)

[3] **Department of Transportation - $72,514,475 increase**
The increase is primarily attributable to an anticipated increase in the following program:

Federal Highway Administration (from $636,800,000 in 2017-19 to $714,199,651 in 2019-21)	$77,399,651

[4] **Adjutant General - $56,837,557 decrease**
The decrease is primarily attributable to an anticipated decrease in the following program:

Army Guard contracts (from $95,617,416 in 2017-19 to $45,246,851 in 2019-21)	($50,370,565)

[5] **Department of Public Instruction - $34,857,717 increase**
The increase is primarily attributable to anticipated increases in the following programs:

Striving readers grants (from $0 in 2017-19 to $23,000,000 in 2019-21)	$23,000,000
Title IV student support and enrichment (from $0 in 2017-19 to $10,616,650 in 2019-21)	$10,616,650

[6] **State Water Commission - $11,680,393 increase**
The increase is primarily attributable to an anticipated increase in the following program:

Northwest Area Water Supply Project (from $20,000,000 in 2017-19 to $30,000,000 in 2019-21)	$10,000,000

[7] **Job Service North Dakota - $11,654,268 increase**
The increase is primarily attributable to an anticipated increase in the following program:

Unemployment insurance (from $17,118,887 in 2017-19 to $27,013,698 in 2019-21)	$9,894,811

[8] **State Department of Health - $10,935,328 increase**
The increase is primarily attributable to anticipated increases in the following programs:

State public health actions to prevent and control diabetes, heart disease, obesity, and associated risk factors and promote school health (from $2,311,676 in 2017-19 to $6,872,016 in 2019-21)	$4,560,340
Ryan White grants (from $3,600,000 in 2017-19 to $6,495,000 in 2019-21)	$2,895,000

ECONOMIC DEVELOPMENT - GENERAL FUND APPROPRIATIONS

	2015-17 Adjusted Legislative Appropriation	2017-19 Legislative Appropriation	2019-21 Recommended Increase (Decrease) to 2017-19 Appropriation	2019-21 Executive Recommendation
Department of Commerce				
Administration				
Operating costs	$464,727	$587,593	$40,377	$627,970
Discretionary funds	784,152	1,200,000	0	1,200,000
Partner programs	2,173,830	1,939,845	(377,314)	1,562,531
Trade Office	2,556,694	2,000,000	(400,000)	1,600,000
Marketing and Innovation				
Operating costs	802,397	735,146	3,242,154	3,977,300
Entrepreneurship grants and vouchers	3,066,830	1,537,703	(796,747)	740,956
Crowdfunding challenge program	0	0	590,000	590,000
Strategy Research and Advanced Concepts				
Operating costs	0	0		
Research North Dakota	4,353,542	0	20,000,000	20,000,000[1]
Theodore Roosevelt Presidential Library project	0	0	50,000,000	50,000,000[1]
North Dakota Tourism				
Operating costs	10,149,017	7,893,890	(634,212)	7,259,678
Tourism infrastructure grants	586,000	0	0	0
Tourism marketing and event grants	141,975	0	0	0
Division of Workforce Development				
Operating costs	2,690,528	1,433,518	565,064	1,998,582
Operation intern	1,550,000	950,000	0	950,000
Youth innovation	0	0	100,000	100,000
Tribal college workforce grants	1,837,130[2]	0[2]	0	0[2]
Transfer to the workforce enhancement fund	960,069	0	0	0
Division of Economic Development and Finance				
Operating costs	1,020,512	984,957	2,989,018	3,973,975
Agricultural Products Utilization Commission	1,022,983	0[3]	0	0[3]
Enhanced use lease grants	0[4]	1,000,000[4]	(1,000,000)	0[4]
Unmanned aircraft system (UAS) program	2,718,620	0[5]	3,000,000	3,000,000[5]
Beyond visual line of sight UAS grants	0	0	30,000,000	30,000,000[1]
Base retention grant	1,500,000	0[6]	600,000	600,000
State marketing initiatives	0	0	3,000,000	3,000,000
Division of Community Services				
Homeless shelter grants	1,500,000	300,000	0	300,000
Energy conservation grant program	0[7]	0[7]	0	0[7]
Total	$39,879,006	$20,562,652	$110,918,340	$131,480,992

	2015-17 Adjusted Legislative Appropriation	2017-19 Legislative Appropriation	2019-21 Recommended Increase (Decrease) to 2017-19 Appropriation	2019-21 Executive Recommendation
Department of Agriculture				
Administrative services operating costs and grants	$723,121	$1,140,901	($39,983)	$1,100,918
Marketing and information operating costs and grants	1,293,974	0	0	0
Total	$2,017,095	$1,140,901	($39,983)	$1,100,918
Department of Career and Technical Education				
Farm management program	$660,438	$579,822	($350,007)	$229,815
Workforce training contracts	2,803,500	2,000,000	(174,571)	1,825,429
Workforce development initiatives	0	0	700,000	700,000
Workforce development grants - Career academies	0	0	30,000,000	30,000,000[1]
Total	$3,463,938	$2,579,822	$30,175,422	$32,755,244
Job Service North Dakota				
Workforce 20/20	$1,441,225	$0	$0	$0
Total	$1,441,225	$0	$0	$0
Industrial Commission				
Renewable energy development fund	$0[7]	$0[7]	$0	$0[7]
Total	$0	$0	$0	$0
Bank of North Dakota				
Partnership in Assisting Community Expansion (PACE)	$0[8]	$0[8]	$0	$0[8]
Ag PACE	0[8]	0[8]	0	0[8]
Beginning farmer revolving loan fund	0[8]	0[8]	0	0[8]
Biofuels PACE	0[8]	0[8]	0	0[8]
Total	$0	$0	$0	$0
Total economic development funding	$46,801,264	$24,283,375	$141,053,779	$165,337,154

[1]The 2019-21 executive budget recommendation provides $100 million from the general fund derived from legacy fund earnings to the Department of Commerce for a Theodore Roosevelt Presidential Library project ($50 million), beyond visual line of sight UAS grants ($30 million) and Research North Dakota programs ($20 million). The recommendation also includes $30 million from the general fund derived from legacy fund earnings to the Department of Career and Technical Education for a workforce development competitive grant to build career academies.

[2]The 2015 Legislative Assembly provided one-time funding of $3 million for tribal college workforce grants, of which $2 million was from the general fund and $1 million was from the student loan trust fund. The $2 million general fund appropriation was reduced by $162,870 during the August 2016 special legislative session, resulting in $1,837,130 available for the program from the general fund during the 2015-17 biennium. The 2017 Legislative Assembly provided one-time funding of $500,000 from the student loan trust fund to the Department of Commerce for workforce grants to tribally controlled community colleges. The 2019-21 biennium executive budget recommendation includes one-time funding of $500,000 from the strategic investment and improvements fund for workforce grants to tribally controlled community colleges.

[3]The 2017 Legislative Assembly authorized the Department of Commerce to continue unexpended funds for the Agricultural Products Utilization Commission (APUC) from the 2015-17 biennium to be spent during the 2017-19 biennium. Special fund spending authority available for APUC during the 2017-19 biennium totaled $3.2 million. The 2019-21 executive recommendation provides a total of $682,454 in special fund appropriations for APUC.

[4]The 2015 Legislative Assembly provided one-time funding of $7.5 million from the strategic investment and improvements fund to the Department of Commerce for enhanced use lease grants for the 2015-17 biennium. The 2017 Legislative Assembly provided one-time funding of $3 million to the department for enhanced use lease grants, of which $1 million was from the general fund and $2 million was from the strategic investment and improvements fund, for the 2017-19 biennium. The 2019-21 biennium executive budget recommendation includes $3 million from the strategic investment and improvements fund for enhanced use lease grants.

[5]The 2017 Legislative Assembly provided one-time funding of $2 million from the strategic investment and improvements fund to the Department of Commerce for UAS grants for the 2017-19 biennium. The 2019-21 biennium executive budget recommends $5 million for the UAS program, including $3 million from the general fund for operating expenses and $2 million for UAS grants, of which $1 million is from federal funds and $1 million is from the UAS fund.

[6]The 2017 Legislative Assembly provided one-time funding of $600,000 from the strategic investment and improvements fund to the Department of Commerce for base retention grants for the 2017-19 biennium.

[7]The 2013 Legislative Assembly, in Senate Bill No. 2014, authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to $3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to $1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. The 2017 Legislative Assembly, in House Bill No. 1020, amended North Dakota Century Code Section 57-51.1-07 to reduce the resources trust fund allocation to the renewable energy development fund from 5 to 3 percent and the maximum allocation to the energy conservation grant fund from $1.2 million to $200,000 for the 2017-19 biennium and to restore the maximum allocation to the energy conservation grant fund to $1.2 million after July 31, 2019.

For the 2015-17 and 2017-19 bienniums, the amount transferred to the renewable energy development fund was $3 million each biennium. The amount transferred to the energy conservation grant fund was $1.2 million in the 2015-17 biennium and $200,000 in the 2017-19 biennium. For the 2019-21 biennium, the amount projected to be transferred to the renewable energy development fund is $3 million, and the amount projected to be transferred to the energy conservation grant fund is $1.2 million.

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

	2015-17 Biennium	**2017-19 Biennium**	**2019-21 Biennium Increase (Decrease) to 2017-19 Biennium**	**2019-21 Biennium**
PACE	$28,000,000	$16,000,000	$10,000,000	$26,000,000
Ag PACE	3,000,000	2,000,000	1,000,000	3,000,000
Biofuels PACE	2,000,000	1,000,000	0	1,000,000
Beginning farmer revolving loan fund	7,000,000	6,000,000	0	6,000,000
Development fund	0	0	15,000,000	15,000,000
Total	$40,000,000	$25,000,000	$26,000,000	$51,000,000

LARGE INFORMATION TECHNOLOGY PROJECTS FOR THE 2019-21 BIENNIUM[1]

Agency or Institution	Project	General Fund	Other Funds	Total
108 - Secretary of State	Voting systems replacement		$8,000,000	$8,000,000
	ePoll Book implementation		3,000,000	3,000,000
112 - Information Technology Department	Statewide interoperable radio network		44,000,000	44,000,000
	Cybersecurity tool set modernization	$4,935,690	11,400,000	16,335,690
	Unified data platform		1,000,000	1,000,000
	North Dakota gateway portal project		6,000,000	6,000,000
	Mainframe transition project		2,000,000	2,000,000
	Citizen relationship management system		4,500,000	4,500,000
	Statewide land parcel database project		1,150,000	1,150,000
	IT service management		2,000,000	2,000,000
	Application platform as a service implementation		1,325,000	1,325,000
	Automation/orchestration platform implementation for delivery of services		900,000	900,000
301 - State Department of Health	Continue women infant children electronic benefits transfer project		354,554	354,554
325 - Department of Human Services	Child and family services comprehensive child welfare information and payment system mainframe migration project		1,250,000	1,250,000
	Medicaid management information system technical stack upgrade		7,104,000	7,104,000
380 - Job Service North Dakota	Unemployment insurance modernization project		16,492,766	16,492,766
405 - Industrial Commission - Department of Mineral Resources	Risk-based data management system 3.0		9,544,005	9,544,005
406 - Department of Labor and Human Rights	Paperless system	69,659		69,659
485 - Workforce Safety and Insurance	Claims and Policy Replacement System, Releases 7, 8, 9, 10		7,010,000	7,010,000
	myWSI extranet enhancement project		850,000	850,000
801 - Department of Transportation	Automatic vehicle GPS implementation		2,650,709	2,650,709
	Driver's license system rewrite		22,500,000	22,500,000
	Maintenance management system		3,850,000	3,850,000
	Roadway information management system replacement		9,100,000	9,100,000
	Traffic data editing and analysis system rewrite		1,525,838	1,525,838
Total 2019-21 executive budget recommendation		$5,005,349	$167,506,872*	$172,512,221

*Of this amount, $121,027,547 is from the strategic investment and improvements fund.

[1]North Dakota Century Code Section 54-59-02.1 requires the State Information Technology Advisory Committee to prioritize major executive branch computer software projects. The committee met on October 30, 2018, and prioritized information technology projects for the 2019-21 biennium with a total cost over $500,000 by funding source. The following is a summary of the prioritization, including information as to the preliminary project budget and the amount included in the executive budget:

	General Fund Projects			
	Project	**Agency**	**Preliminary Project Budget**	**Included in Executive Budget Recommendation**
1	Statewide interoperable radio network	Information Technology Department	$53,000,000	$44,000,000[a]
2	Cybersecurity tool set modernization	Information Technology Department	$16,335,690	$16,335,690[b]
3	Unified data platform	Information Technology Department	$1,000,000	$1,000,000[c]
4	North Dakota gateway portal project	Information Technology Department	$6,000,000	$6,000,000[c]
5	Mainframe transition project	Information Technology Department	$5,000,000	$2,000,000[c]
6	Citizen relationship management system	Information Technology Department	$4,500,000	$4,500,000[c]
7	Basic care application replacement project	Department of Human Services	$1,920,000	
8	Statewide land parcel dataset project	Information Technology Department	$1,060,000	$1,150,000[c]

	Federal Fund Projects			
1	Voting systems replacement	Secretary of State	$9,500,000	$8,000,000[c]
2	Child and family services FRAME system replacement	Department of Human Services	$25,000,000	
3	Medicaid management information system technical stack upgrade	Department of Human Services	$7,100,000	$7,104,000[d]
4	ePoll Book implementation	Secretary of State	$3,000,000	$3,000,000
5	Disaster supplemental nutrition assistance program replacement	Department of Human Services	$2,120,000	
6	Mainframe migration assessment	Department of Human Services	$1,220,000	
7	Roadway information management system replacement	Department of Transportation	$5,590,000	$9,100,000[c]
8	Child and family services comprehensive child welfare information and payment system mainframe migration project	Department of Human Services	$1,250,000	$1,250,000[e]
9	Early childhood integrated data system expansion	Department of Public Instruction	$7,100,000	
10	Master data management/master client index assessment	Department of Human Services	$660,000	

	Special Fund Projects			
1	Driver's license system rewrite	Department of Transportation	$16,500,000	$22,500,000[c]
2	Risk-based data management system 3.0	Department of Mineral Resources	$4,040,000	$9,544,005[f]
3	IT service management system	Information Technology Department	$2,000,000	$2,000,000
4	Claims and policy system - Release 7	Workforce Safety and Insurance	$1,700,000	$1,700,000
5	Automatic vehicle GPS implementation	Department of Transportation	$2,650,000	$2,650,709[c]
6	Claims and policy system - Release 8	Workforce Safety and Insurance	$1,890,000	$1,890,000
7	Claims and policy system - Release 10	Workforce Safety and Insurance	$2,480,000	$2,490,000
8	Application platform as a service implementation	Information Technology Department	$1,330,000	$1,325,000
9	myWSI enhancement project - Releases 3-4	Workforce Safety and Insurance	$850,000	$850,000
10	Claims and policy system - Release 9	Workforce Safety and Insurance	$930,000	$930,000
11	Automation/orchestration platform implementation for delivery of services	Information Technology Department	$900,000	$900,000
12	Maintenance management system	Department of Transportation	$3,850,000	$3,850,000[c]
13	Teachers Fund For Retirement pension administration system modernization	Retirement and Investment Office	$9,140,000	
14	Traffic data editing and analysis system rewrite	Department of Transportation	$1,530,000	$1,525,838[c]
15	Mobile/digital driver's license project	Department of Transportation	$3,150,000	

[a]Funding for the statewide interoperable radio network project includes $40 million from the strategic investment and improvements fund and $4 million from the statewide interoperable radio network fund.

[b]Of the $16,335,690 provided for the cybersecurity tool set modernization project, $11,400,000 is from the strategic investment and improvements fund for information technology software and supplies and $4,935,690 is from the general fund for salaries and wages of 17 cybersecurity full-time equivalent positions ($4,195,690) and operating fees and services ($740,000).

[c]Funding for these projects is provided from the strategic investment and improvements fund.

[d]Of the $7,104,000 provided for the Medicaid management information system technical stack upgrade $5,328,000 is from federal funds and $1,776,000 is from the strategic investment and improvements fund.

[e]Funding for the child and family service comprehensive child welfare information and payment system mainframe migration project includes $675,000 from federal funds and $575,000 from the strategic investment and improvements fund.

[f]Of the $9,544,005 provided for the risk-based data management system 3.0 project, $5,000,000 is from the strategic investment and improvements fund, $650,000 is from the reservoir data fund, and $3,894,005 is from private matching funds.

MAJOR STATE APPROPRIATIONS AND REVENUE ALLOCATIONS FOR DIRECT ASSISTANCE TO POLITICAL SUBDIVISIONS
COMPARISON OF 2017-19 BIENNIUM APPROPRIATIONS AND ALLOCATIONS
TO 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS

	2017-19 Appropriations/ Revenue Allocations	2019-21 Executive Budget Recommendation	2019-21 Recommended Increase (Decrease) Compared to 2017-19 Appropriations/ Revenue Allocations	
			Amount	Percentage
General fund appropriations				
Grants to public libraries	$1,737,582	$1,737,582	$0	0.0%
Library Vision 2014 grants	237,500	237,500	0	0.0%
Homestead tax credit	14,800,000	15,800,000	1,000,000	6.8%
Disabled veteran property tax credits	8,110,200	8,410,200	300,000	3.7%
Aid to health districts	3,250,000	4,725,000	1,475,000	45.4%
Children's special health services grants for multidisciplinary clinics	31,156	0	(31,156)	(100.0%)
Suicide prevention grants	179,655	0	(179,655)	(100.0%)
Emergency medical services training	846,000	846,000	0	0.0%
Emergency medical services operations	5,625,000	5,750,000	125,000	2.2%
Public water system operator certification and training program	180,000	125,000	(55,000)	(30.6%)
Tobacco Synar Program enforcement requirements to local public health	0	75,000	75,000	N/A
Matching funds to counties and cities for senior citizen services and programs	1,347,894	1,347,894	0	0.0%
Indian welfare assistance to counties	1,629,964	1,629,964	0	0.0%
Child welfare, service payments for elderly and disabled, and technology costs - State paying county share	23,300,000	23,300,000	0	0.0%
Economic assistance and social services pilot program	26,000,000 [6]	0	(26,000,000)	(100.0%)
Boys' and girls' clubwork	53,000	53,000	0	0.0%
Soil conservation district grants	1,091,520	1,091,520	0	0.0%
Clerk of court	23,936,056	25,141,996	1,205,940	5.0%
Grants to airports	900,000	855,000	(45,000)	(5.0%)
Coal-producing county reimbursements for coal severance payments to non-coal-producing counties	180,000	171,000	(9,000)	(5.0%)
Community service supervision grants	350,000	350,000	0	0.0%
Guardianship grants	1,328,600	1,328,600	0	0.0%
Total general fund (excluding school-related funding)	$115,114,127	$92,975,256	($22,138,871)	(19.2%)
Percentage of total general fund appropriations	2.7%	1.9%	(0.8%)	(29.5%)
Special funds appropriations and revenue allocations				
Noxious weed control	$1,375,274	$1,355,274	($20,000)	(1.5%)
State aid distribution funds to cities and counties[1]	183,168,991	207,151,383	23,982,392	13.1%
Public transportation services (public transportation fund)	7,900,000	8,400,000	500,000	6.3%
Insurance tax to fire departments (insurance tax distribution fund)	14,235,561	14,235,561	0	0.0%
Aid to health districts (tobacco prevention and control trust fund)	2,000,000	0	(2,000,000)	(100.0%)
Tobacco education program grants to local public health districts (tobacco prevention and control trust fund)	6,500,000	0	(6,500,000)	(100.0%)
Tobacco education program grants to local public health districts (community health trust fund)	0	6,500,000	6,500,000	N/A
Tobacco cessation program grants to local public health districts (community health trust fund)	50,000	85,000	35,000	70.0%
Emergency medical services operations (insurance tax distribution fund)	1,250,000	1,125,000	(125,000)	(10.0%)
Abandoned vehicle cleanup (abandoned vehicle fund)	215,000	215,000	0	0.0%

	2017-19 Appropriations/ Revenue Allocations	2019-21 Executive Budget Recommendation	2019-21 Recommended Increase (Decrease) Compared to 2017-19 Appropriations/ Revenue Allocations	
			Amount	Percentage
Gaming enforcement grants	510,000	510,000	0	0.0%
Economic assistance and social services pilot program	134,700,000 [6]	182,300,000	47,600,000	35.3%
Matching funds to counties and cities for senior citizen services and programs	8,070,000 [7]	8,700,000	630,000	7.8%
Energy development impact grants (oil and gas impact grant fund)	25,000,000 [8]	5,000,000	(20,000,000)	(80.0%)
Energy impact fund	15,000,000 [9]	0	(15,000,000)	(100.0%)
Grants to airports (Aeronautics Commission special funds collections)	5,800,000	5,300,000	(500,000)	(8.6%)
Grants to airports (strategic investment and improvements fund)	0	22,000,000	22,000,000	N/A
Motor vehicle fuel tax and registration fee allocations[2]	195,000,000	207,100,000	12,100,000	6.2%
Telecommunications tax allocations	16,800,000	16,800,000	0	0.0%
Coal severance tax allocations[3]	14,100,000	14,100,000	0	0.0%
Coal conversion tax allocations[3]	9,000,000	9,000,000	0	0.0%
Oil and gas gross production tax allocations[4]	666,544,287	653,679,959	(12,864,328)	(1.9%)
Cigarette tax allocations[5]	3,000,000	2,900,000	(100,000)	(3.3%)
Energy conservation grants to political subdivisions	200,000	1,200,000	1,000,000	500.0%
Total special funds (excluding school-related funding)	$1,310,419,113	$1,367,657,177	$57,238,064	4.4%
Total major direct assistance to political subdivisions (excluding school-related funding)	$1,425,533,240	$1,460,632,433	$35,099,193	2.5%
School-related assistance to political subdivisions				
General fund appropriations - School-related funding				
State school aid - Integrated formula payments	$1,334,657,258 [10]	$1,438,157,258	$103,500,000	7.8%
Transportation aid payments to school districts	55,400,000	55,400,000	0	0.0%
Special education contracts	19,300,000	25,000,000	5,700,000	29.5%
School food services	1,380,000	1,380,000	0	0.0%
Adult education	3,100,000	4,100,000	1,000,000	32.3%
Prekindergarten grants		3,000,000	3,000,000	N/A
Program grant pool	1,530,000 [11]	1,809,711	279,711	18.3%
Cybersecurity education for teachers	0	3,000,000	3,000,000	N/A
Educational Technology Council grants	0	85,000	85,000	N/A
EduTech services, including school district antivirus licenses and PowerSchool funding	3,188,249	7,961,997	4,773,748	149.7%
School district information technology network costs (statewide information technology network costs)	4,434,278	5,094,453	660,175	14.9%
School district and area center grants for career and technical education	20,389,580	53,246,580	32,857,000	161.1%
Total general fund - School-related funding	$1,443,379,365	$1,598,234,999	$154,855,634	10.7%
Percentage of total general fund appropriations	33.5%	32.4%	(1.1%)	(3.3%)
Special funds appropriations and revenue allocations - School-related funding				
State school aid - Integrated formula payments (state tuition fund)	$305,546,905	$379,764,000	$74,217,095	24.3%
State school aid - Integrated formula payments (foundation aid stabilization fund)	295,000,000 [10]	232,781,065	(62,218,935)	(21.1%)
English language learner grants (foundation aid stabilization fund)	500,000 [12]	0	(500,000)	(100.0%)
Grants for adult education programs (displaced homemaker fund)	225,000	225,000	0	0.0%
Rapid enrollment grants (foundation aid stabilization fund)	6,000,000 [10]	0	(6,000,000)	(100.0%)
Regional education association merger grants (foundation aid stabilization fund)	100,000 [10]	0	(100,000)	(100.0%)
Educational Technology Council grants	85,000	0	(85,000)	(100.0%)

	2017-19 Appropriations/ Revenue Allocations	2019-21 Executive Budget Recommendation	2019-21 Recommended Increase (Decrease) Compared to 2017-19 Appropriations/ Revenue Allocations	
			Amount	Percentage
EduTech services, including school district antivirus licenses and PowerSchool funding	6,564,518	1,623,567	(4,940,951)	(75.3%)
School district information technology network costs (statewide information technology network costs)	100,000	90,000	(10,000)	(10.0%)
School district and area center grants for career and technical education	2,477,000	5,704,408	3,227,408	130.3%
Total special funds - School-related funding	$616,598,423	$620,188,040	$3,589,617	0.6%
Total major school-related assistance to political subdivisions	$2,059,977,788	$2,218,423,039	$158,445,251	7.7%
Total general fund assistance to political subdivisions	$1,558,493,492	$1,691,210,255	$132,716,763	8.5%
Total special funds assistance	1,927,017,536	1,987,845,217	60,827,681	3.2%
Total major direct assistance to political subdivisions	$3,485,511,028	$3,679,055,472	$193,544,444	5.6%

[1] The 1987 Legislative Assembly, in House Bill No. 1590, provided that .6 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax shall be deposited into the state aid distribution fund to be used beginning July 1, 1989. The 1997 Legislative Assembly, in House Bill No. 1019, reduced the .6 to .4 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax to be deposited into the state aid distribution fund beginning January 1, 1999. The Legislative Assembly also added a continuing appropriation so all revenues deposited into the state aid distribution fund are appropriated for payments to political subdivisions. The change also eliminated the 50 percent for personal property tax replacement and 50 percent for revenue sharing and instead provided that 53.7 percent of the revenues in the fund be distributed to counties and 46.3 percent of the revenues be distributed to cities. The 2013 Legislative Assembly increased the .4 to .435 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax to be deposited into the state aid distribution fund beginning July 1, 2014.

[2] Prior to the 2009-11 biennium, 37 percent of the funds in the highway tax distribution fund were allocated to counties and cities, and one cent per gallon of motor fuels taxes was deposited in the township highway aid fund. Beginning with the 2009-11 biennium, counties and cities receive 34.5 percent of distributions from the highway tax distribution fund, the one cent per gallon of motor fuels taxes originally deposited in the township highway aid fund is deposited in the highway tax distribution fund, and townships receive 2.7 percent of distributions from the highway tax distribution fund. The amounts shown do not include highway tax distribution fund deposits in the public transportation fund which are shown separately in this schedule.

[3] Beginning in the 2001-03 biennium, the coal severance tax allocation is based on the provision that 70 percent of the severance tax revenue is allocated among coal-producing counties. Previously, 35 percent had been allocated to coal-producing counties. Beginning in the 2001-03 biennium, the coal conversion tax allocation is based on the provision that 15 percent of the conversion tax revenue is allocated to the county in which the plant is located. Previously, 35 percent had been allocated to the county in which the plant is located.

[4] The oil and gas gross production tax allocation is based on a formula which allocates a percentage of gross production tax revenue to the producing county with the remainder going to the state. Prior to the 2009-11 biennium, the amount allocated to a county was limited based on the population of the county. Beginning in the 2013-15 biennium, the allocations from the gross production tax revenue are distributed to counties, cities, school districts, townships, and hub cities based on a formula which provides one set of percentages for counties that received less than $5 million in allocations during the previous state fiscal year and another set of percentages for counties that received $5 million or more in allocations during the previous state fiscal year. The amounts shown reflect the estimates and statutory changes included in the executive budget.

[5] The cigarette tax allocation is based on the provision that 3 cents per regular package and 3.75 cents per larger package are distributed to cities based on population.

[6] The 2017 Legislative Assembly approved, in Senate Bill No. 2206, funding of $160.7 million, of which $26 million is from the general fund and $134.7 million is from the tax relief fund, for a state-paid economic assistance and social services pilot program during the 2017-19 biennium. The $26 million from the general fund was appropriated in House Bill No. 1012 (2017). The 2019-21 biennium executive budget provides for a transfer of $182.3 million from the tax relief fund to the social services financing fund to continue the program.

[7] The 2005 Legislative Assembly removed the senior citizen mill levy matching grant program from the Department of Human Services and provided in Senate Bill No. 2267 that the state treasurer distribute senior citizen mill levy matching grants pursuant to a continuing appropriation from the senior citizen services and programs fund. The fund consists of sales, use, and motor vehicle excise tax collections equivalent to two-thirds of one mill levied statewide each year. The 2011 Legislative Assembly, in Senate Bill No. 2242, increased the amount of collections allocated to the fund to three-fourths of one mill levied statewide each year. The 2013 Legislative Assembly, in Senate Bill No. 2162, increased the amount of collections allocated to the fund to 85 percent of one mill levied statewide each year. The 2015 Legislative Assembly, in Senate Bill No. 2143, increased the amount of collections allocated to the fund to 87.5 percent of the amount appropriated up to one mill.

[8] Senate Bill No. 2013 (2017) provides $25 million for airport grants from money deposited in the oil and gas impact grant fund. Current law provides $5 million of allocations to the oil and gas impact grant fund for the 2019-21 biennium.

[9] The 2017 Legislative Assembly, in Senate Bill No. 2013, established the energy impact fund and appropriated $15 million from the fund for a grant to the Williston airport. During the 2017-19 biennium only, the fund is to receive $4 million of oil and gas tax allocations. The Legislative Assembly also provided for transfers to the fund during the 2017-19 biennium from the political subdivision allocation fund ($8 million) and strategic investment and improvements fund ($3 million).

[10] In 2017 the Legislative Assembly provided a total of $295 million from the foundation aid stabilization fund for integrated formula payments during the 2017-19 biennium, of which $185 million is considered one-time funding. In addition the Legislative Assembly provided one-time funding from the foundation aid stabilization fund for rapid enrollment grants ($6 million) and regional education association merger grants ($100,000).

[11] The 2017 Legislative Assembly provided funding from the general fund for a program grant pool, including leveraging the senior year, a leadership program, continuing education grants, preschool continuing education grants, curriculum alignment grants, and teacher and principal evaluation system grants. In addition the Legislative Assembly provided, in Section 9 of House Bill No. 1013 (2017), the unexpended amount remaining from the transfer of $1,252,627 from the 2013-15 biennium, as permitted in Section 32 of Chapter 137 of the 2015 Session Laws to enhance the delivery and the participation of students and teachers in advanced placement courses during the 2015-17 biennium, is not subject to the provisions of North Dakota Century Code Section 54-44.1-11 at the end of the 2015-17 biennium and may be continued into the 2017–19 biennium, for the purpose of increasing the program grant pool. The department continued $700,711 in the 2017-19 biennium to increase the program grant pool.

[12] The Legislative Assembly provided, in Senate Bill No. 2013 (2015), $1 million for grants to the four school districts that serve the largest number of first- and second-level English language learners in K-12. The Superintendent of Public Instruction must distribute a pro rata share of the available grant dollars to each eligible district based upon the total number of first- and second-level English language learners enrolled in the four districts. In 2017 the Legislative Assembly removed funding from the general fund for English language learner grants and, in Senate Bill No. 2272, provided one-time funding from the foundation aid stabilization fund for English language learner grants.

SECTION D - ELEMENTARY AND SECONDARY EDUCATION

SUMMARY OF KEY RECOMMENDATIONS D-1

STATE SCHOOL AID, OTHER GRANTS, AND DEPARTMENT OF PUBLIC INSTRUCTION ADMINISTRATION - COMPARISON OF 2019-21 BIENNIUM EXECUTIVE BUDGET TO 2017-19 BIENNIUM APPROPRIATION AND ESTIMATED EXPENDITURES D-3

INTEGRATED PER STUDENT PAYMENT RATES AND WEIGHTED STUDENT UNITS FOR THE 2017-19 AND 2019-21 BIENNIUMS D-6

ELEMENTARY AND SECONDARY EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

STATE SCHOOL AID

The 2019-21 biennium executive budget recommendation provides funding of $2.13 billion, of which $1.52 billion is from the general fund, $232.8 million is from the foundation aid stabilization fund, and $379.7 million is from the state tuition fund for the state school aid program. The following schedule summarizes state school aid program funding:

	2017-19 Legislative Appropriations (Amounts Shown in Millions)	Increase (Decrease) (Amounts Shown in Millions)	2019-21 Executive Budget (Amounts Shown in Millions)
State school aid	$1,935.2	$115.5	$2,050.7
Transportation aid payments	55.4		55.4
Rapid enrollment grants	6.0	(6.0)	
Special education - Contracts	19.3	5.7	25.0
Total	$2,015.9	$115.2	$2,131.1
General fund	$1,409.4	$109.2	$1,518.6
Foundation aid stabilization fund	301.0	(68.2)	232.8
State tuition fund	305.5	74.2	379.7
Total	$2,015.9	$115.2	$2,131.1

The executive budget recommendation provides integrated formula payments totaling $2.051 billion, an increase of $115.5 million from the integrated formula payments provided during the 2017-19 biennium. When compared to the appropriation for the 2017-19 biennium, the increase of $115.5 million includes a decrease in funding from the foundation aid stabilization fund of $62.2 million and increases in funding from the general fund of $103.5 million and from the state tuition fund of $74.2 million. In addition to state school aid, integrated formula payments include funding to reduce the amount of money school districts need to raise locally through property taxes. The executive recommendation provides that total formula payments are reduced by a 60-mill levy local property tax contribution and by 75 to 100 percent of other local revenue, the same as the 2017-19 biennium.

In addition to providing an increase in funding for the cost-to-continue integrated formula payments of $52.3 million, the executive budget recommendation for the state school aid program includes funding and recognizes savings for the following state school aid formula changes:

- Increases integrated per student payment rates by 2 percent each year of the 2019-21 biennium at a cost of $62 million. The current rate of $9,646 will increase to $9,839 during the 1st year of the biennium and to $10,036 during the 2nd year of the biennium;
- Adjusts the state school aid formula to provide blended on-time funding at a cost of $24.1 million;
- Transitions the state school aid formula from the dollar hold harmless and the per student hold harmless for school districts generating a savings of $14 million; and
- Excludes new property from the 12 percent limitation in property tax increases resulting in an increased local share and generating a savings to the state of $8.9 million.

ONE-TIME FUNDING

The executive budget includes $3,325,000 from the general fund as one-time funding for cybersecurity education for teachers ($3 million), a review of the state's foreign language standards ($125,000), and funding to rewrite the state school aid formula ($200,000).

In addition, if any funding provided to the Department of Public Instruction for integrated formula payments for the 2017-19 biennium remains after all statutory obligations have been met, the executive budget provides the department must use remaining funds to pay 2017-19 biennium state obligations for special education contract grants exceeding the 2017-19 biennium appropriation for grants - special education. The executive recommendation also allows the department to continue up to $10 million of excess integrated formula payments funding into the 2019-21 biennium for a Teacher Incentives for Leadership in Education initiative.

OTHER RECOMMENDATIONS

The executive budget recommendation provides for the following program transfers:

1. **PowerSchool** - Transfers $4.95 million of general fund authority from the Department of Public Instruction to the Information Technology Department for PowerSchool, a decrease of $550,000 from the 2017-19 biennium appropriation of $5.5 million.
2. **Prekindergarten program** - Transfers the prekindergarten program from the Department of Commerce to the Department of Public Instruction, including a transfer of $1.5 million of general fund authority from the Department of Commerce budget to the Department of Public Instruction budget. In addition, funding for the program is increased by $1.5 million from the general fund to provide a total of $3 million from the general fund for the prekindergarten program.
3. **Teacher shortage loan forgiveness program** - Transfers the teacher shortage loan forgiveness program from the North Dakota University System to the Department of Public Instruction, including a transfer of $2.1 million of general fund authority from the University System budget to the Department of Public Instruction budget.

4. **Federal Quality Rating and Improvement System** - Transfers $150,000 of general fund authority from the Department of Human Services to the Department of Public Instruction for the state funded component of the federal Quality Rating and Improvement System.

The executive budget recommendation provides for the following program grants:

- **Adult education grants** - Provides $4.1 million from the general fund for adult education grants, an increase of $1 million from the 2017-19 biennium appropriation of $3.1 million.
- **School food services matching grants** - Provides $1.38 million from the general fund for school food services matching grants, the same level of funding provided in the 2017-19 biennium.
- **Free breakfast program** - Provides $200,000 from the general fund to provide free breakfast to students eligible for reduced meals, the same level of funding provided in the 2017-19 biennium.
- **Program grant pool** - Provides $1,809,711 from the general fund for a program grant pool including funding for leveraging the senior year, a leadership program, continuing education grants, preschool continuing education grants, curriculum alignment grants, and teacher and principal evaluation system grants, an increase of $279,711 from the 2017-19 biennium appropriation of $1,530,000.

The executive budget recommendation provides for the following passthrough grants:

- **National writing projects** - Provides $20,000 from the general fund for national writing projects, the same level of funding provided in the 2017-19 biennium.
- **North Dakota Museum of Art** - Provides $328,789 from the general fund for support of the North Dakota Museum of Art educational outreach initiative, a decrease of $21,211 from the 2017-19 biennium appropriation of $350,000.
- **North Central Council for Educational Media Services** - Provides $223,576 from the general fund for support of the North Central Council for Educational Media Services, a decrease of $14,424 from the 2017-19 biennium appropriation of $238,000.
- **Mentorship grant program** - Provides $1,925,764 from the general fund for support of a teacher, principal, and instructional coach mentoring program, a decrease of $124,236 from the 2017-19 biennium appropriation of $2,050,000.
- **Global Bridges (Atlantik-Brucke) exchange program** - Removes funding from the general fund for a professional exchange program, a decrease of $200,000 from the 2017-19 biennium appropriation of $200,000.
- **North Dakota young entrepreneur education program** - Provides $30,000 from the general fund for a business education program, the same level of funding provided in the 2017-19 biennium.
- **"We the People" program** - Provides $10,000 from the general fund for a government education program, the same level of funding provided in the 2017-19 biennium.

The executive budget did not renew funding for grants provided as one-time funding from special funds during the 2017-19 biennium, including the Governor's School program ($220,000), regional education association merger grants ($100,000) and English language learner grants ($500,000).

In addition, the executive budget recommendation made the following adjustments:

- **National board certification** - Provides $108,000 from the general fund for teacher stipends and assessment fees for national board certification, a decrease of $12,000 from the 2017-19 biennium appropriation of $120,000.
- **Transportation efficiency** - Provides $27,000 from the general fund for a transportation conference, a decrease of $3,000 from the 2017-19 biennium appropriation of $30,000.

STATE SCHOOL AID, OTHER GRANTS, AND DEPARTMENT OF PUBLIC INSTRUCTION ADMINISTRATION
COMPARISON OF 2019-21 BIENNIUM EXECUTIVE BUDGET TO
2017-19 BIENNIUM APPROPRIATION AND ESTIMATED EXPENDITURES

	2017-19 Appropriation	2017-19 Estimated Expenditures	2019-21 Executive Budget	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Estimated Expenditures	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriation
State school aid program					
State school aid - Integrated formula payments	$1,935,204,163 [1]	$1,917,264,090	$2,050,702,323 [1]	$133,438,233	$115,498,160
Transportation aid payments	55,400,000	54,407,480	55,400,000	992,520	0
Rapid enrollment grants	6,000,000 [1]	6,000,000	[1]	(6,000,000)	(6,000,000)
Special education - Contracts	19,300,000	19,300,000 [2]	25,000,000	5,700,000	5,700,000
Total - State school aid program	$2,015,904,163	$1,996,971,570	$2,131,102,323	$134,130,753	$115,198,160
General fund	$1,409,357,258	$1,390,424,665	$1,518,557,258	$128,132,593	$109,200,000
Foundation aid stabilization fund	301,000,000 [1]	301,000,000	232,781,065	(68,218,935)	(68,218,935)
State tuition fund	305,546,905	305,546,905	379,764,000	74,217,095	74,217,095
Total state school aid program	$2,015,904,163	$1,996,971,570 [2]	$2,131,102,323	$134,130,753	$115,198,160
Other program grants - General fund					
Adult education matching grants	$3,100,000	$3,100,000	$4,100,000	$1,000,000	$1,000,000
School food services matching grants	1,380,000	1,380,000	1,380,000	0	0
Prekindergarten grants			3,000,000 [3]	3,000,000	3,000,000
Free breakfast program	200,000	200,000	200,000	0	0
Program grant pool	1,530,000 [4]	1,855,711	1,809,711	(46,000)	279,711
Total - Other program grants - General fund	$6,210,000	$6,535,711	$10,489,711	$3,954,000	$4,279,711
Other grants - Other funds					
Federal grants	$253,837,705	$253,837,705	$286,837,705	$33,000,000	$33,000,000
Governor's School program - Student loan trust fund	220,000 [5]	220,000		(220,000)	(220,000)
Regional education association merger grants - Foundation aid stabilization fund	100,000 [6]	100,000		(100,000)	(100,000)
English language learner grants - Foundation aid stabilization fund	500,000 [7]	500,000		(500,000)	(500,000)
Displaced homemaker program	225,000	225,000	225,000	0	0
Total - Other grants - Other funds	$254,882,705	$254,882,705	$287,062,705	$32,180,000	$32,180,000
Total state school aid and other grants - All funds	$2,276,996,868	$2,258,389,986	$2,428,654,739	$170,264,753	$151,657,871

	2017-19 Appropriation	2017-19 Estimated Expenditures	2019-21 Executive Budget	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Estimated Expenditures	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriation
Agency administration and other passthrough grants					
Administration - General fund	$11,486,726	$11,486,726	$15,776,386	$4,289,660	$4,289,660
Administration - Other funds	36,117,455	36,117,455	37,881,622	1,764,167	1,764,167
Total - Agency administration	$47,604,181	$47,604,181	$53,658,008 [8]	$6,053,827	$6,053,827
National writing projects	$20,000	$20,000	$20,000	$0	$0
Rural art outreach project	350,000	350,000	328,789	(21,211)	(21,211)
North Central Council for Educational Media Services	238,000	238,000	223,576	(14,424)	(14,424)
Mentoring program	2,050,000	2,050,000	1,925,764	(124,236)	(124,236)
Global Bridges (Atlantik-Brucke) exchange	200,000	200,000	0	(200,000)	(200,000)
Young entrepreneur education program	30,000	30,000	30,000	0	0
"We the People" program	10,000	10,000	10,000	0	0
PowerSchool	5,500,000	5,500,000	0 [9]	(5,500,000)	(5,500,000)
Transportation efficiency	30,000	5,000	27,000	22,000	(3,000)
National board certification	120,000	50,000	108,000	58,000	(12,000)
Total - Other passthrough grants - General fund	$8,548,000	$8,453,000	$2,673,129	($5,779,871)	($5,874,871)
Total - Agency administration and other passthrough grants - All funds	$56,152,181	$56,057,181	$56,331,137	$273,956	$178,956
Total Department of Public Instruction - All funds	$2,333,149,049	$2,314,447,167	$2,484,985,876	$170,538,709	$151,836,827
Department of Public Instruction - Funding					
Total - General fund	$1,435,601,984	$1,416,900,102	$1,547,496,484	$130,596,382	$111,894,500
Total - Other funds	897,547,065	897,547,065	937,489,392	39,942,327	39,942,327
Total Department of Public Instruction - All funds	$2,333,149,049	$2,314,447,167	$2,484,985,876	$170,538,709	$151,836,827
FTE positions	91.75	91.75	88.75	(3.00)	(3.00)

[1] In 2017 the Legislative Assembly provided a total of $295 million from the foundation aid stabilization fund for integrated formula payments during the 2017-19 biennium, of which $185 million is considered one-time funding. In addition, the Legislative Assembly, in Senate Bill No. 2272, provided $6 million of one-time funding from the foundation aid stabilization fund for rapid enrollment grants. The 2019-21 executive budget recommendation includes $24.1 million to provide on-time funding in the state school aid formula and $62 million to provide for a 2 percent increase in the integrated formula payment rate each year of the biennium. In addition, the executive budget recommendation recognizes savings of $22.9 million, including $14 million from transitioning districts from the dollar hold harmless and the per student hold harmless and $8.9 million from excluding new property from the 12 percent limitation in property tax increases.

[2] The Department of Public Instruction anticipates general fund turnback will total approximately $18.7 million; however, the department anticipates requesting supplemental funding from the general fund for special education contract grants. The department estimates claims for special education contract grants may exceed funding in the grants - special education line item by up to $4 million. If any funding provided to the department for integrated formula payments for the 2017-19 biennium remains after all statutory obligations have been met, the executive budget provides the department must use remaining funds to pay 2017-19 biennium state obligations for special education contract grants exceeding the 2017-19 biennium appropriation for grants - special education. The executive recommendation also allows the department to continue up to $10 million of excess integrated formula payments funding into the 2019-21 biennium for a Teacher Incentives for Leadership in Education initiative.

[3] The 2019-21 executive budget recommendation provides for a transfer of the prekindergarten program from the Department of Commerce to the Department of Public Instruction, including a transfer of $1.5 million of general fund authority from the Department of Commerce budget to the Department of Public Instruction budget and an increase of $1.5 million from the general fund to provide a total of $3 million from the general fund for the prekindergarten program.

[4] The 2017 Legislative Assembly provided funding from the general fund for a program grant pool, including leveraging the senior year, a leadership program, continuing education grants, preschool continuing education grants, curriculum alignment grants, and teacher and principal evaluation system grants. In addition, the Legislative Assembly provided, in Section 9 of House Bill 1013 (2017), the unexpended amount remaining from the transfer of $1,252,627 from the 2013-15 biennium, as permitted in Section 32 of Chapter 137 of the 2015 Session Laws to enhance the delivery and the participation of students and teachers in advanced placement courses during the 2015-17 biennium, is not subject to the provisions of North Dakota Century Code Section 54–44.1–11 at the end of the 2015-17 biennium and may be continued into the 2017-19 biennium for the purpose of increasing the program grant pool. The Department of Public Instruction continued $700,711 in the 2017-19 biennium to increase the program grant pool, which is not included in the department's 2017-19 appropriation above.

[5] The Legislative Assembly provided $220,000 of one-time funding from the student loan trust fund for the Governor's School program, $240,000 less than the $460,000 general fund appropriation provided during the 2015-17 biennium. Funding provided by the state for the Governor's School must be used for science, technology, engineering, and mathematics programs.

[6] The Legislative Assembly provided one-time funding of $100,000 from the foundation aid stabilization fund for regional education association merger grants.

[7] The Legislative Assembly, in Senate Bill No. 2272, provided $500,000 of one-time funding from the foundation aid stabilization fund for supplemental English language learner grants to school districts during the 2017-19 biennium.

[8] The 2019-21 executive budget recommendation includes $3 million from the general fund for cybersecurity education for teachers and $2.1 million from the general fund to transfer the teacher shortage loan forgiveness program from the North Dakota University System to the Department of Public Instruction.

[9] The 2019-21 executive budget recommendation provides for a transfer of PowerSchool technology from the Department of Public Instruction to the Information Technology Department (ITD), including an ITD funding source change to increase funding from the general fund and reduce funding from special funds by $4.95 million.

INTEGRATED PER STUDENT PAYMENT RATES AND WEIGHTED STUDENT UNITS FOR THE 2017-19 AND 2019-21 BIENNIUMS

	2017-19 Legislative Appropriation	2017-19 Actual	2019-21 Executive Budget
1st-year integrated per student payment rates	$9,646	$9,646	$9,839[1]
2nd-year integrated per student payment rates	$9,646	$9,646	$10,036[1]
Weighted student units			
1st year	126,002	125,632	131,544[3]
2nd year	127,914	128,057[2]	134,393[3]

[1]The 2019-21 executive recommendation continues to include funding for a base level of support necessary to educate students by applying an integrated payment rate to the weighted student units. Integrated formula payments provide both adequacy-based funding for K-12 education and property tax relief.

[2]Weighted student units for the 2nd year of the 2017-19 biennium are estimated as of November 2018.

[3]Weighted student units for the 2019-21 biennium have been estimated based on 60 percent of the previous year average daily membership and 40 percent of fall enrollment estimates to provide a transition to blended on-time funding in the state school aid formula.

SECTION E - HIGHER EDUCATION

SUMMARY OF KEY RECOMMENDATIONS E-1

FULL-TIME EQUIVALENT STUDENT ENROLLMENTS E-3

TUITION RATES E-4

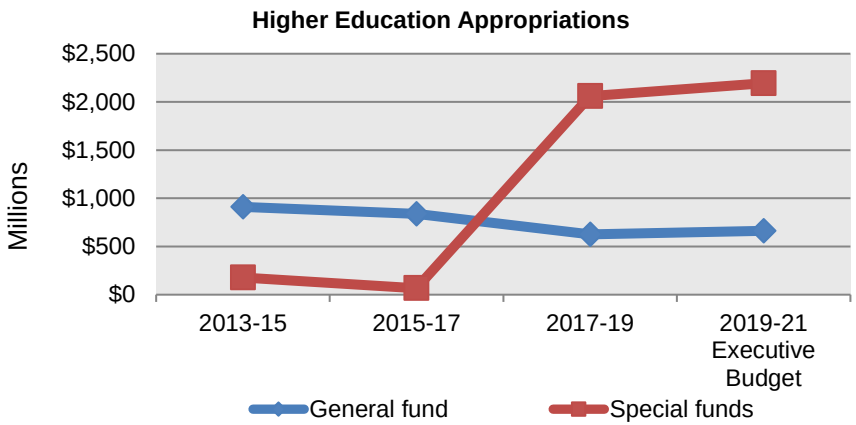
HIGHER EDUCATION - SUMMARY OF KEY RECOMMENDATIONS

The 2019-21 executive budget recommends the following higher education funding changes compared to 2017-19 appropriations for higher education:

- Increases **general fund** support by $36.2 million as follows:

	2017-19 Legislative Appropriations	2019-21 Executive Recommendation	Increase (Decrease)	
Ongoing general fund appropriations	$613,242,154	$621,236,102	$7,993,948	1.3%
One-time general fund appropriations	12,554,626	40,750,000	28,195,374	224.6%
Total	$625,796,780	$661,986,102	$36,189,322	5.8%

- Increases appropriations from **special funds** by $133.6 million, or 6.5 percent. The increase relates primarily to increases in special funds authority for salary and benefit increases and funding for capital projects at the University of North Dakota, North Dakota State University, the North Dakota State College of Science, Valley City State University, and Dakota College at Bottineau.
- Decreases the authorized number of **full-time equivalent (FTE) positions** from 6,767.76 to 6,609.87, a decrease of 157.89 positions. The decrease relates primarily to position reductions made by the North Dakota University System institutions during the 2017-19 biennium based on the funding level approved by the 2017 Legislative Assembly.



Biennium	General Fund	Special Funds	Total
2013-15	$910,632,494	$177,980,941	$1,088,613,435
2015-17	$837,849,212	$66,644,264	$904,493,476
2017-19	$625,796,780	$2,059,950,275	$2,685,747,055
2019-21 - Executive budget	$661,986,102	$2,193,509,098	$2,855,495,200

Key recommendations include:

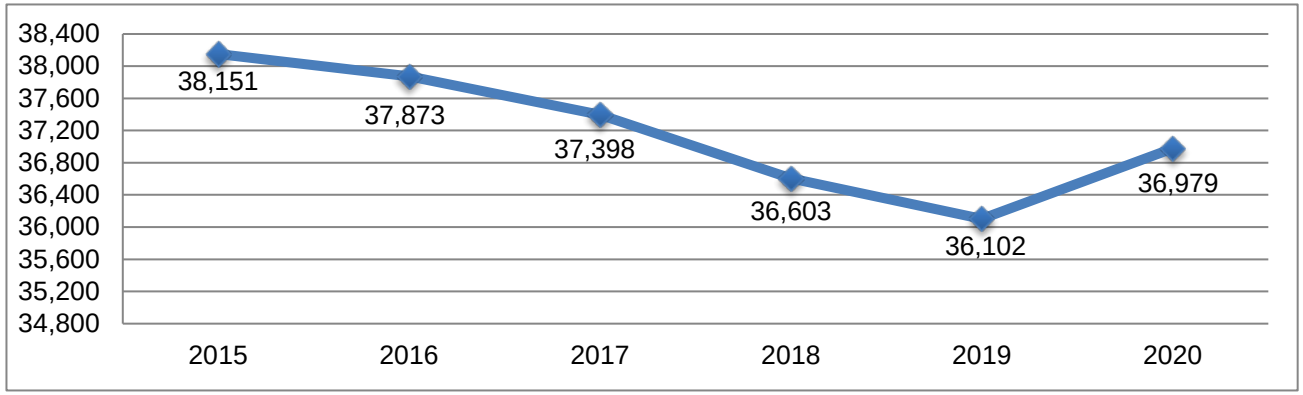
1. Increases base funding for campuses by $7.8 million, including:
   - $4.4 million increase relating to the student credit-hour funding formula to adjust the base budget to 2015-17 actual completed student credit-hour levels, including $6.2 million for residency positions at the University of North Dakota School of Medicine and Health Sciences;
   - $25.3 million decrease relating to a **5 percent reduction** in the student credit-hour funding formula;
   - $23.5 million increase for an **inflationary adjustment** for each institution to provide funding for salary and health insurance increases;
   - $710,879 increase to maintain the funding formula **hold harmless clause**; and
   - $4.5 million increase to continue **residency positions** at the University of North Dakota School of Medicine and Health Sciences. This amount is in addition to the $6.2 million increase provided through the student credit-hour funding formula for residency positions.
2. Appropriates one-time funding of $40 million from the general fund from designated legacy fund earnings for the **higher education challenge fund** to provide matching grants for academic enhancements to North Dakota University System institutions.
3. Appropriates one-time funding of $750,000 from the general fund for **document digitization** at the Theodore Roosevelt Center.
4. Appropriates one-time funding of $5 million from the strategic investment and improvements fund for grants to University System institutions for **online curriculum development**.
5. Provides $21.92 million from the general fund for the **student financial assistance grant program**, the same amount appropriated for the 2017-19 biennium.
6. Provides $14.96 million from the general fund for the **career and technical education and academic scholarship program**. This represents an increase of $2.94 million compared to the 2017-19 biennium general fund appropriation of $12.02 million.
7. Provides $1 million from the general fund for **tribal community college grants**. This represents an increase of $400,000 compared to the 2017-19 biennium appropriation of $600,000, which included $100,000 from the general fund and $500,000 from the student loan trust fund.

8. Replaces $1.5 million of ongoing funding from the student loan trust fund with funding from the general fund.
9. Provides a **system information technology services pool** of $61,226,017, of which $37,568,764 is from the general fund and $23,657,253 is from other funds, for support of the ConnectND system; Higher Education Computer Network; Advanced Learning Technologies, including the Interactive Video Network; the Online Dakota Information Network; and other related technology initiatives. This level of funding represents a decrease of $301,330 from the 2017-19 biennium appropriation of $61,527,347. Of the $301,330 decrease, there is a $395,351 decrease from the general fund and a $94,021 increase in other funds.
10. Provides $298,745,222 for **capital assets**, including:

	General Fund	Special Funds	Total
Major capital projects	$0	$282,550,000	$282,550,000
Capital construction lease payments	4,959,448	0	4,959,448
Base campus extraordinary repairs	11,179,526	0	11,179,526
Forest Service equipment over $5,000	56,248	0	56,248
Total	$16,195,222	$282,550,000	$298,745,222

Please refer to the schedules under the **CAPITAL CONSTRUCTION** section for additional information regarding capital improvements. The recommendation for major capital projects funding includes $2.9 million from the strategic investment and improvements fund for the McCarthy Hall renovation project at Valley City State University and $25.7 million from the strategic investment and improvements fund for the Dunbar Hall project at North Dakota State University.

INSTITUTIONS OF HIGHER EDUCATION FULL-TIME EQUIVALENT STUDENT ENROLLMENTS[1]



Institution	Actual Enrollments				Projected Enrollments	
	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020
Bismarck State College	2,912	2,861	2,646	2,611	2,650	2,700
Dakota College at Bottineau	459	490	527	590	575	590
Dickinson State University	1,070	1,114	1,128	1,090	1,123	1,156
Lake Region State College	981	971	995	1,005	1,002	1,000
Mayville State University	796	782	784	817	825	834
Minot State University	2,570	2,592	2,467	2,483	2,510	2,535
North Dakota State University	12,834	12,783	12,784	12,394	12,400	12,500
North Dakota State College of Science	2,305	2,298	2,253	2,126	2,084	2,126
University of North Dakota	12,455	12,182	11,964	11,585	11,006	11,585
Valley City State University	1,031	1,044	1,086	1,096	1,105	1,115
Williston State College	738	756	764	806	822	838
Total	38,151	37,873	37,398	36,603	36,102	36,979

[1]State Board of Higher Education policy provides that a full-time equivalent (FTE) undergraduate student is equal to 15 undergraduate student credit-hours completed per semester. The policy also provides that a graduate FTE student is equal to 12 graduate level student credit-hours completed per semester and a professional student is counted as one FTE student. The information presented in this schedule for the fall 2015 through fall 2018 semesters was provided by the North Dakota University System office. The estimates for the fall 2019 and fall 2020 semesters were provided by representatives of University System institutions.

HIGHER EDUCATION - TUITION RATES

The following is a schedule of tuition and fee rates at state institutions of higher education for the academic years 2015-16 through 2018-19. The 2001 Legislative Assembly removed tuition income from the appropriation process by providing a continuing appropriation for all special funds, including tuition. The 2017 Legislative Assembly restored recognition of tuition income in the appropriation process, but provided continuing appropriation authority through June 30, 2019, for any additional funds received by the institutions. House Bill No. 1003 (2019) extends the continuing appropriation authority through June 30, 2021, for any additional funds received by the institutions. The State Board of Higher Education has the statutory responsibility for setting tuition rates.

Institution	2015-16	2016-17	2017-18	2018-19[16]
Bismarck State College[1]				
Undergraduate				
Resident	$3,577	$3,645	$3,791	$3,990
	1.9%	1.9%	4.0%	5.2%
Minnesota resident[2]	$4,006	$4,082	$4,245	$4,469
	1.9%	1.9%	4.0%	5.3%
Contiguous state/province[3]	$4,471	$4,556	$4,738	$5,985
	1.9%	1.9%	4.0%	26.3%
Other nonresident	$9,550	$9,731	$10,120	$5,985
	1.9%	1.9%	4.0%	(40.9%)
International students	$9,550	$9,731	$10,120	$6,983
	1.9%	1.9%	4.0%	(31.0%)
Dakota College at Bottineau				
Undergraduate				
Resident	$3,384	$3,469	$3,607	$3,751
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$3,790	$3,885	$4,040	$4,201
	2.5%	2.5%	4.0%	4.0%
South Dakota and Montana residents	$4,230	$4,336	$4,509	$4,689
	2.5%	2.5%	4.0%	4.0%
All Canadian provinces[4]	$3,384	$3,469	$3,607	$3,751
	2.5%	2.5%	4.0%	4.0%
Other nonresident	$5,075	$5,203	$5,411	$5,627
	2.5%	2.5%	4.0%	4.0%
Dickinson State University				
Undergraduate				
Resident	$5,013	$5,138	$5,344	$5,558
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$5,616	$5,755	$5,985	$6,225
	2.5%	2.5%	4.0%	4.0%
Contiguous state/province[3]	$6,267	$6,423	$6,680	$6,947
	2.5%	2.5%	4.0%	4.0%
Other nonresident[5]	$7,520	$7,707	$8,015	$8,336
	2.5%	2.5%	4.0%	4.0%
International students	$7,520	$7,707	$8,015	$9,170
	2.5%	2.5%	4.0%	14.4%

Institution	2015-16	2016-17	2017-18	2018-19[16]
Lake Region State College[6]				
Undergraduate				
Resident	$3,261	$3,326	$3,459	$3,598
	2.0%	2.0%	4.0%	4.0%
Minnesota resident[2]	$3,652	$3,326	$3,459	$3,598
	14.2%	(8.9%)	4.0%	4.0%
Contiguous state/province[3]	$3,261	$3,326	$3,459	$3,598
	2.0%	2.0%	4.0%	4.0%
Other nonresident	$3,261	$3,326	$3,459	$3,598
	2.0%	2.0%	4.0%	4.0%
International students	$8,152	$8,316	$8,648	$8,994
	2.0%	2.0%	4.0%	4.0%
Mayville State University				
Undergraduate				
Resident	$4,930	$5,053	$5,255	$5,465
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$5,522	$5,660	$5,886	$6,121
	2.5%	2.5%	4.0%	4.0%
Contiguous state/province[3]	$6,163	$6,317	$6,569	$6,832
	2.5%	2.5%	4.0%	4.0%
All Canadian provinces except Saskatchewan and Manitoba	$7,395	$7,580	$7,883	$8,198
	2.5%	2.5%	4.0%	4.0%
Other nonresident	$7,395	$7,580	$7,883	$8,198
	2.5%	2.5%	4.0%	4.0%
International students	$13,164	$13,492	$14,032	$14,593
	2.5%	2.5%	4.0%	4.0%
Minot State University[7]				
Undergraduate	$5,066	$5,193	$5,400	$5,616
	2.5%	2.5%	4.0%	4.0%
Graduate	$6,698	$6,865	$7,140	$7,425
	2.5%	2.5%	4.0%	4.0%
North Dakota State University				
Undergraduate (basic rate)[8]				
Resident	$6,762	$6,924	$7,201	$7,957
	2.4%	2.4%	4.0%	10.5%
Minnesota resident[2]	$7,574	$7,755	$8,065	$8,912
	2.4%	2.4%	4.0%	10.5%
Contiguous state/province[3]	$10,144	$10,386	$10,802	$9,548
	2.4%	2.4%	4.0%	(11.6%)
Other nonresident	$18,056	$18,488	$19,227	$11,936
	2.4%	2.4%	4.0%	(37.9%)
International students	$18,056	$18,488	$19,227	$13,925
	2.4%	2.4%	4.0%	(27.6%)
Graduate (basic rate)[8]				
Resident	$7,253	$7,427	$7,724	$8,645
	2.4%	2.4%	4.0%	11.9%

Institution	2015-16	2016-17	2017-18	2018-19[16]
Minnesota resident[2]	$9,212	$9,432	$9,810	$10,979
	2.4%	2.4%	4.0%	11.9%
Contiguous state[3]	$10,879	$11,141	$11,586	$12,967
	2.4%	2.4%	4.0%	11.9%
Other nonresident	$19,365	$19,830	$20,623	$12,967
	2.4%	2.4%	4.0%	(37.1%)
International students	$19,365	$19,830	$20,623	$15,129
	2.4%	2.4%	4.0%	(26.6%)
North Dakota State College of Science[9,10,11]				
Undergraduate				
Resident	$3,682	$3,774	$3,925	$4,082
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$4,124	$4,226	$4,396	$4,571
	2.5%	2.5%	4.0%	4.0%
Contiguous state/province[3]	$4,602	$4,717	$4,906	$5,102
	2.5%	2.5%	4.0%	4.0%
Other nonresident	$9,830	$10,076	$10,479	$10,898
	2.5%	2.5%	4.0%	4.0%
University of North Dakota				
Undergraduate				
Resident	$6,548	$6,679	$6,946	$7,224
	2.5%	2.0%	4.0%	4.0%
Minnesota resident[2]	$7,334	$7,480	$7,780	$8,091
	2.5%	2.0%	4.0%	4.0%
Contiguous state/province[3]	$9,822	$10,018	$10,419	$10,836
	2.5%	2.0%	4.0%	4.0%
Other nonresident	$17,482	$17,833	$18,546	$19,288
	2.5%	2.0%	4.0%	4.0%
Graduate				
Resident	$7,044	$7,185	$7,688	$8,227
	2.5%	2.0%	7.0%	7.0%
Minnesota resident[2]	$8,946	$9,125	$9,764	$10,448
	2.5%	2.0%	7.0%	7.0%
Contiguous state/province[3]	$10,566	$10,777	$11,532	$12,340
	2.5%	2.0%	7.0%	7.0%
Other nonresident	$18,807	$19,184	$20,526	$21,965
	2.5%	2.0%	7.0%	7.0%
School of Law[12]				
Resident	$7,908	$8,106	$8,835	$9,631
	2.5%	2.5%	9.0%	9.0%
Minnesota resident[2]	$11,862	$12,159	$13,253	$14,446
	2.5%	2.5%	9.0%	9.0%
Contiguous state/province[3]	$11,862	$12,159	$13,253	$14,446
	2.5%	2.5%	9.0%	9.0%

Institution	2015-16	2016-17	2017-18	2018-19[16]
Other nonresident	$21,116	$21,644	$23,592	$25,715
	2.5%	2.5%	9.0%	9.0%
School of Medicine and Health Sciences				
Resident	$28,079	$28,781	$29,932	$31,129
	3.0%	2.5%	4.0%	4.0%
Minnesota resident[2]	$30,886	$31,658	$32,924	$34,242
	3.0%	2.5%	4.0%	4.0%
Other nonresident	$51,973	$53,272	$55,403	$57,619
	3.0%	2.5%	4.0%	4.0%
Physical therapy[13]				
Resident	$12,978	$13,302	$13,834	$14,387
	3.0%	2.5%	4.0%	4.0%
Minnesota resident[2]	$12,978	$13,302	$13,834	$14,387
	3.0%	2.5%	4.0%	4.0%
Other nonresident	$17,955	$18,404	$19,140	$19,906
	3.0%	2.5%	4.0%	4.0%
Valley City State University[14]				
Undergraduate				
Resident	$5,153	$5,282	$5,493	$5,713
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$5,772	$5,916	$6,152	$6,398
	2.5%	2.5%	4.0%	4.0%
Contiguous state/province[3]	$6,441	$6,602	$6,866	$7,141
	2.5%	2.5%	4.0%	4.0%
Other nonresident	$13,759	$14,103	$14,667	$15,253
	2.5%	2.5%	4.0%	4.0%
Graduate	$6,855	$7,026	$7,308	$7,601
	2.5%	2.5%	4.0%	4.0%
Williston State College[15]				
Undergraduate				
Resident	$3,316	$3,399	$3,535	$3,676
	2.5%	2.5%	4.0%	4.0%
Minnesota resident[2]	$3,714	$3,399	$3,535	$3,676
	2.5%	(8.5%)	4.0%	4.0%
Contiguous state/province[3]	$3,316	$3,399	$3,535	$3,676
	2.5%	2.5%	4.0%	4.0%
Other nonresident	$3,316	$3,399	$3,535	$3,676
	2.5%	2.5%	4.0%	4.0%
International students	$4,479	$4,589	$4,772	$4,963
	2.5%	2.5%	4.0%	4.0%

[1]Bismarck State College implemented a per-credit tuition model beginning in the 2000-01 academic year. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student. As detailed in footnote 16, the State Board of Higher Education approved a new tuition model for Bismarck State College for the 2018-19 academic year.

[2]Under the North Dakota/Minnesota reciprocity agreement, students pay the higher of the two states' rates, which allows North Dakota students attending Minnesota higher education institutions to pay the Minnesota resident rate while Minnesota students attending North Dakota higher education institutions generally pay the Minnesota rate, which is higher than

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

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

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

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

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

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

[8]Beginning with the 2012-13 academic year, North Dakota State University charges a differentiated tuition rate for certain programs that combine tuition and program fees. The amounts shown reflect the basic undergraduate and graduate tuition rates. As detailed in footnote 16, the State Board of Higher Education approved a new tuition model for North Dakota State University for the 2018-19 academic year.

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

	2015-16	2016-17	2017-18	2018-19
Undergraduate				
Contiguous state/province	$3,682	$3,774	$3,925	$4,082
Other nonresidents	$3,682	$3,774	$3,925	$4,082

[10]The North Dakota State College of Science implemented a per-credit tuition model beginning in the 2004-05 academic year. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student.

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

[12]The University of North Dakota School of Law implemented a per-credit tuition model beginning in the 2008-09 academic year. The institution charges a per-credit (part-time) tuition rate for all credit-hours. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time law student.

[13]Physical therapy students pay undergraduate tuition rates during the first 2 years. In the students' junior year, students enter the physical therapy program and start paying tuition based on the physical therapy program tuition rates.

[14]Valley City State University implemented a per-credit tuition model beginning in the 2005-06 academic year. The undergraduate tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student. The graduate tuition rates shown are based on a credit load of 12 credit-hours per semester, which is the number of credit-hours taken by an average full-time graduate student. Beginning with the 2010-11 academic year, Valley City State University charges the same online tuition rate to all graduate students.

[15]Williston State College implemented a per-credit tuition model beginning in the 2002-03 academic year. From the 2002-03 through the 2010-11 academic years, the institution charged a per-credit (part-time) tuition rate for all credit-hours except for the 14th, 15th, and 16th credits, which are at no charge. During the 2011-12 academic year, the institution charged students for all credits taken except the 15th and 16th credits. Beginning with the 2012-13 academic year, the institution charges students for all credits taken except the 16th credit. The tuition rates shown are based on a credit load of 15 credit-hours per semester, which is the number of credit-hours taken by an average full-time student. Beginning with the 2009-10 academic year, Williston State College charges all students the resident tuition rate except for international students. International students were charged the resident tuition rate during the 2009-10 and 2010-11 academic years and began to be charged an international student tuition rate beginning with the 2011-12 academic year.

[16]The State Board of Higher Education approved a new statewide tuition model that combines tuition and nonmandatory fees, provides consistent on-campus and online tuition rates, charges a flat tuition rate if a student enrolls in more than 12 or 13 credits, and adjusts tuition rates for Minnesota resident students, other nonresident students, and international students. The tuition model principles approved by the board provides for the assessment of tuition based on residency as follows:

- Minnesota resident students - 1.12 times the resident rate.
- Other nonresident United States, Manitoba, and Saskatchewan students - No lower than 1.2 times the resident rate.
- Other international students - No lower than 1.75 times the resident rate.

The State Board of Higher Education implemented the new tuition model at Bismarck State College and North Dakota State University during the 2018-19 academic year. The new tuition model will be implemented by the other nine campuses during the 2019-20 academic year.

SECTION F - HUMAN SERVICES

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DEPARTMENT OF HUMAN SERVICES - SUMMARY OF KEY RECOMMENDATIONS

DEPARTMENTWIDE

- Provides a total general fund appropriation of $1,521.6 million, $182.4 million, or 13.6 percent, more than the $1,339.2 million 2017-19 biennium general fund appropriations.
- Adds $27.9 million from the general fund for additional state matching funds required due to changes in the state's **federal medical assistance percentage** (FMAP). The federal matching for Medicaid Expansion is 93 percent beginning January 2019 and 90 percent beginning January 2020.

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

Federal Fiscal Year	North Dakota's FMAP	North Dakota's Enhanced FMAP
2008	63.75%	N/A
2009	63.15%	69.95%
2010	63.01%	69.95%
2011	60.35% (4th quarter)	69.95% (1st quarter) 66.95% (2nd quarter) 64.95% (3rd quarter)
2012	55.40% (actual)	N/A
2013	52.27% (actual)	N/A
2014	50.00% (actual)	N/A
2015	50.00% (actual)	N/A
2016	50.00% (actual)	N/A
2017	50.00% (actual)	N/A
2018	50.00% (actual)	N/A
2019	50.00% (actual)	N/A
2020	50.00% (estimate)[1]	N/A
2021	50.00% (estimate)[1]	N/A

[1]Estimate included in the executive budget. The state's FMAP is projected to increase to 50.05 percent in federal fiscal year 2020.

- Provides $69.6 million from the general fund for cost to continue, and anticipated **cost, caseload, and utilization changes** in the department's budget compared to 2017-19 appropriations.
- Replaces ongoing funding appropriated during the 2017-19 biennium from the tobacco prevention and control trust fund ($24,479,159), community health trust fund ($18,000,000), and health care trust fund ($1,686,191).
- Provides $29.4 million, of which $13.6 million is from the general fund, for 1 percent annual **inflationary increases** for human service providers in the 2019-21 biennium.
- Transfers $182.3 million from the tax relief fund to the social services fund and appropriates the funding for costs associated with the state takeover of county social services expenses.
- Transfers 48 FTE positions and 7 temporary staff to the Information Technology Department for the information technology unification initiative.
- Underfunds salaries and wages by $4,694,730 from the general fund in anticipation of savings from **vacant positions and employee turnover**.
- Provides one-time funding of $7,104,000, including $1,776,000 from the strategic investment and improvements fund, for a technical stack upgrade for the Medicaid management information system.
- Provides one-time funding of $1,250,000, including $575,000 from the strategic investment and improvements fund, to migrate the child welfare information and payments system from the mainframe to a new program.

PROGRAM AND POLICY

Medical Services

- Provides $1,215.6 million for **medical services**, of which $355.5 million is from the general fund, a decrease in total of $149.7 million, or 11 percent, compared to the 2017-19 biennium appropriation of $1,365.3 million. The executive budget:

  Appropriates $457.1 million, of which $49.0 million is from the general fund, for **Medicaid Expansion**, a decrease of $176.2 million, compared to the 2017-19 biennium appropriation of $633.3 million.

  Adds 8 FTE positions and transfers the administration of Medicaid Expansion to the department.

  Changes the payment rate for Medicaid Expansion from commercial rates to fee-for-service rates.

  Adds $6.4 million, of which $2.6 million is from the general fund to expand access to home- and community-based services through a 1915(i) Medicaid plan amendment.

Long-Term Care

- Provides $744.6 million for **long-term care**, of which $390 million is from the general fund, an increase in total of $50.8 million, or 7.3 percent, compared to the 2017-19 biennium appropriation of $693.8 million. The executive budget:

Adds $2.9 million from the general fund to reduce the functional eligibility criteria for the services payments for elderly and disabled program.

Adds $624,051 from the general fund to reduce client contribution levels through the service payments for elderly and disabled program.

Provides $7.7 million, of which $3.8 million is from the general fund, to add residential habilitation and community residential services to the Medicaid home- and community-based waiver.

Aging Services

- Provides $23.1 million for **aging services**, of which $8.4 million is from the general fund, the same level of funding as included in the 2017-19 biennium appropriation.

Behavioral Health Services

- Provides $62.6 million for behavioral health services, of which $20.4 million is from the general fund, an increase in total of $18.6 million, or 42.2 percent, compared to the 2017-19 biennium appropriation of $44 million. The executive budget:

  Transfers $1.3 million from the general fund and 1 FTE position from the State Department of Health for the suicide prevention program.

  Adds $4.5 million from the general fund and 6 FTE positions to expand the free through recovery program to provide services to individuals outside of the correctional system.

  Adds $3.1 million from the general fund and 2 FTE positions to expand access to the substance use disorder voucher program.

  Adds $275,000 from the general fund and 1 FTE position to develop a peer support services certification program.

Developmental Disabilities

- Provides $662.9 million for developmental disabilities (DD) services, of which $329 million is from the general fund, an increase in total of $52.1 million, or 8.5 percent, compared to the 2017-19 biennium appropriation of $610.8 million. The executive budget:

  Provides $651.7 million for **DD services grants**, of which $322.8 million is from the general fund, an increase of $60.1 million, or 10.2 percent, compared to the 2017-19 biennium appropriation of $591.6 million.

Economic Assistance

- Provides $262.9 million for economic assistance, of which $10.8 million is from the general fund, a decrease in total of $11.4 million, or 4.2 percent, compared to the 2017-19 biennium appropriation of $274.3 million. The funding includes:

  $11.5 million for **temporary assistance for needy families** grants, of which $3.9 million is from the general fund, an increase in total of $2 million compared to the 2017-19 biennium.

  $27.8 million for **child care assistance**, of which $2.8 million is from the general fund, $6.9 million of retained funds, and $18.1 million of federal funds, an increase of $5.5 million compared to the 2017-19 biennium level of $22.3 million.

Children and Family Services

- Provides $172.9 million for children and family services, of which $82.8 million is from the general fund, an increase in total of $6.5 million, or 3.9 percent, compared to the 2017-19 biennium appropriation of $166.4 million.

INSTITUTIONS

State Hospital

- Provides $1,794,199 from the general fund and strategic investment and improvements fund for **extraordinary repairs**.
- Provides $121,600 from the general fund for **equipment** over $5,000.
- Provides one-time funding of $1,931,000 from the strategic investment and improvements fund to replace a **coal boiler.**
- Appropriates $35 million from the general fund for a new **state behavioral health hospital and clinic**.
- Transfers a portion of the management and operations of the Tompkins program to the Department of Corrections and Rehabilitation including certain buildings on the State Hospital grounds housing the program.

Life Skills and Transition Center

- Provides $3,846,484 from the general fund and strategic investment and improvements fund for **extraordinary repairs**.
- Provides $76,812 from the general fund for **equipment** over $5,000.

HUMAN SERVICE CENTERS

- Adds $4,096,174 from the general fund and 27 FTE positions to expand statewide crisis services capacity.
- Provides $80,000 from the general fund to replace the roof at the Southeast Human Service Center.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

The 2019-21 executive budget recommendation includes funding of $11,548,800, $2,006,282 more than the 2017-19 appropriation, for the temporary assistance for needy families (TANF) program. The increase is based on the estimated TANF recipients and average monthly payments increasing from the 2017-19 biennium to the 2019-21 biennium.

The 2019-21 executive budget recommendation includes funding to serve an estimated average monthly caseload of 1,105. The September 2018 monthly average caseload was 988.

The 2019-21 executive budget recommendation anticipates monthly assistance payments to average $287 per case for the 2019-21 biennium. The monthly average payment per case in September 2018 was $273.

The following schedule compares the 2015-17 and 2017-19 biennium appropriations to the 2019-21 executive budget:

	2015-17 Biennium Appropriation	2017-19 Biennium Appropriation	2019-21 Executive Budget Recommendation	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriation
TANF				
Federal funds	$2,539,461	$1,322,962	$1,282,223	($40,739)
General fund	1,733,390	1,013,734	3,949,534	2,935,800
Retained funds[1]	5,027,280	5,276,837	4,916,492	(360,345)
Other funds - Child support collections	2,410,236	1,928,985	1,400,551	(528,434)
Total - TANF	$11,710,367	$9,542,518	$11,548,800	$2,006,282

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

The Department of Human Services anticipates receiving $26.3 million of federal TANF block grant funds for each year of the 2019-21 biennium. The department projects carrying forward $5.1 million of federal TANF block grant funds from the 2017-19 biennium into the 2019-21 biennium. The executive budget recommends spending $54.8 million of the federal TANF block grant funds in the 2019-21 biennium. The department anticipates carrying forward $2.9 million of federal TANF block grant funds from the 2019-21 biennium into the 2021-23 biennium.

MEDICAL SERVICES FUNDING

The 2019-21 executive budget recommendation for the medical services program includes a total of $1,215.6 million. Of this total, $355.5 million is from the general fund. Of the total funding, $1,149.2 million is provided for medical services grants. The schedule below summarizes medical services grant funding, excluding funding for nursing facility care and other long-term care services, and community-based developmental disabilities services.

	2015-17 Actual Expenditures	2017-19 Appropriation	2017-19 Projected Expenditures[1]	2019-21 Executive Budget	2019-21 Increase (Decrease) to 2017-19 Projected Expenditures
General fund	$238,562,047	$236,679,076	$219,413,114	$309,185,297	$89,772,183
Federal funds	860,856,110	945,336,793	922,371,137	780,858,748	(141,512,389)
Other funds	43,457,517	117,329,273	121,180,094	59,174,017	(62,006,077)
Total	$1,142,875,674	$1,299,345,142	$1,262,964,345	$1,149,218,062	($113,746,283)

[1]Based upon actual expenditures incurred through September 2018. The actual number of individuals eligible for medical services was 92,010 in June 2017 and 92,363 in June 2018.

Federal Medical Assistance Percentage

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

Federal Fiscal Year	FMAP	Fiscal Relief and American Recovery and Reinvestment Act of 2009 FMAP
2002	69.87%	
2003	69.36%	72.82%[1]
2004	68.31%	71.31%[1]
2005	67.49%	
2006	65.85%	
2007	64.72%	
2008	63.75%	
2009	63.15%	69.95%
2010	63.01%	69.95%
2011	60.35%	69.95% (1st quarter - October - December 2010) 66.95% (2nd quarter - January - March 2011) 64.95% (3rd quarter - April - June 2011)
2012	55.40%	
2013	52.27%	
2014	50.00%	
2015	50.00%	
2016	50.00%	
2017	50.00%	
2018	50.00%	
2019	50.00%	
2020	50.00%[2]	
2021	50.00%[2]	

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

[2]Estimate included in the executive budget. The state's FMAP is projected to increase to 50.05% in federal fiscal year 2020.

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

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

Inflationary Adjustments

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

	Actual		Actual		Executive Budget Recommendation	
	July 2015 Inflationary Adjustment	July 2016 Inflationary Adjustment[1]	July 2017 Inflationary Adjustment	July 2018 Inflationary Adjustment	July 2019 Inflationary Adjustment	July 2020 Inflationary Adjustment
Inpatient hospital	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Outpatient hospital	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Home health	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Professional services	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%

[1]The 2015 Legislative Assembly provided an inflationary adjustment of 3 percent for each year of the 2015-17 biennium, but funding for the 2nd year increase was removed during the August 2016 special legislative session.

Detailed Summary

The following schedule compares the 2015-17 biennium actual expenditures and 2017-19 biennium projected expenditures for medical services grants to the 2019-21 executive budget recommendation:

	2015-17 Actual Expenditures	2017-19 Projected Expenditures	Percentage Change From Previous Biennium	2019-21 Executive Budget	Percentage of Total	2019-21 Executive Budget Increase (Decrease) to 2017-19 Projected Expenditures	Percentage Increase (Decrease)
Ambulance services	$9,323,221	$10,442,145	12.00%	$10,360,452	0.90%	($81,693)	(0.78%)
Children's health insurance program (Healthy Steps)	13,766,914	15,676,002	13.87%	12,552,874	1.09%	(3,123,128)	(19.92%)
Dental	27,591,621	29,009,872	5.14%	28,832,312	2.51%	(177,560)	(0.61%)
Drugs (net)	28,491,080	42,685,368	49.82%	44,208,773	3.85%	1,523,405	3.57%
Durable medical equipment	8,047,632	9,557,220	18.76%	9,983,820	0.87%	426,600	4.46%
Home health	3,860,072	3,850,204	(0.26%)	3,921,634	0.34%	71,430	1.86%
Indian Health Service	28,437,037	35,580,701	25.12%	41,289,128	3.59%	5,708,427	16.04%
Inpatient hospital	141,116,935	179,610,383	27.28%	189,065,036	16.45%	9,454,653	5.26%
Laboratory and radiology	3,959,097	4,749,927	19.98%	5,060,760	0.44%	310,833	6.54%
Medicaid Expansion	578,638,490	612,188,869	5.80%	457,090,676	39.77%	(155,098,193)	(25.34%)
Outpatient hospital	82,443,486	97,702,982	18.51%	100,067,096	8.71%	2,364,114	2.42%
Professional services	102,357,479	83,029,146	(18.88%)	96,849,456	8.43%	13,820,310	16.65%
Premiums	26,258,360	31,265,136	19.07%	39,450,230	3.43%	8,185,094	26.18%
Psychiatric residential treatment facilities	25,182,800	31,076,974	23.41%	31,710,161	2.76%	633,187	2.04%
Rural health clinics/federally qualified health centers	15,501,285	17,160,590	10.70%	17,719,610	1.54%	559,020	3.26%
1915i services	0	0	0.0%	5,969,268	0.52%	5,969,268	N/A
Grant underfunding	0	(3,833,330)	N/A	0	0.00%	3,833,330	(100.00%)
Other	47,900,165	63,212,156	31.97%	55,086,776	4.79%	(8,125,380)	(12.85%)
Total	$1,142,875,674	$1,262,964,345	10.5%	$1,149,218,062	100.00%	($113,746,283)	(9.01%)
General fund	$238,562,047	$219,413,114	(8.03%)	$309,185,297	26.90%	$89,772,183	40.91%
Federal funds	860,856,110	922,371,137	7.15%	780,858,748	67.95%	(141,512,389)	(15.34%)
Other funds	43,457,517	121,180,094	178.85%	59,174,017	5.15%	(62,006,077)	(51.17%)
Total	$1,142,875,674	$1,262,964,345	10.5%	$1,149,218,062	100.00%	($113,746,283)	(9.01%)

LONG-TERM CARE SERVICES FUNDING

The 2019-21 executive budget recommendation for the long-term care program totals $744.6 million. Of the total, $390 million is from the general fund. Of the total funding, $743.8 million is designated for medical services grants. The schedule below summarizes the medical services grant funding recommended for long-term care services.

	2015-17 Actual Expenditures[1]	2017-19 Legislative Appropriation[1]	2017-19 Projected Expenditures[1,2]	2019-21 Executive Budget[1]	2019-21 Increase (Decrease) to 2017-19 Projected Expenditures
General fund	$316,633,346	$353,227,477	$340,106,125	$389,185,565	$49,079,440
Federal funds	290,581,737	334,447,824	312,224,211	351,995,070	39,770,859
Other funds	3,238,673	5,792,534	6,008,810	2,596,362	($3,412,448)
Total	$610,453,756	$693,467,835	$658,339,146	$743,776,997	$85,437,851

[1]Includes funding for autism services.

[2]Based upon actual expenditures through September 2018.

Federal Medical Assistance Percentage

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

Inflationary Adjustments

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

	Actual		Actual		Recommended	
	July 2015 Inflationary Adjustment	July 2016 Inflationary Adjustment[1]	July 2017 Inflationary Adjustment	July 2018 Inflationary Adjustment	July 2019 Inflationary Adjustment	July 2020 Inflationary Adjustment
Nursing facilities	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Basic care	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Service payments for elderly and disabled (SPED)	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Expanded SPED	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Home- and community-based services waiver	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Targeted case management	3.00%	0.00%	0.00%	0.00%	1.00%	1.00%

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

Detail Summary

The following schedule compares 2015-17 expenditures and 2017-19 projected expenditures for long-term care services to the 2019-21 executive budget recommendation:

	2015-17 Actual Expenditures	2017-19 Projected Expenditures[1]	Percentage Change From Previous Biennium	2019-21 Executive Budget	Percentage of Total	2019-21 Executive Budget Increase (Decrease) 2017-19 Projected Expenditures	2019-21 Increase (Decrease) to 2017-19 Projected Expenditures
Nursing homes	$497,446,563	$532,542,978	7.06%	$572,394,337	76.96%	$39,851,359	7.48%
Basic care assistance	35,096,508	46,916,237	33.68%	48,790,321	6.56%	1,874,084	3.99%
SPED	12,654,137	12,320,722	(2.63%)	17,552,203	2.36%	5,231,481	42.46%
Expanded SPED	1,455,392	1,525,645	4.83%	1,812,885	0.24%	287,240	18.83%
Home- and community-based services waiver	13,397,388	14,701,663	9.74%	29,598,107	3.98%	14,896,444	101.32%
Technology dependent waiver	362,404	336,028	(7.28%)	579,594	0.08%	243,566	72.48%
Children's medically fragile waiver	220,647	323,236	46.49%	535,080	0.07%	211,844	65.54%
Targeted case management	1,477,843	1,599,413	8.23%	1,884,706	0.25%	285,293	17.84%
Program of all-inclusive care for the elderly	15,507,215	20,910,421	34.84%	32,866,676	4.42%	11,956,255	57.18%
Personal care community	29,684,583	30,656,697	3.27%	33,856,471	4.55%	3,199,774	10.44%
Autism waiver	2,744,074	1,136,213	(58.59%)	2,520,828	0.34%	1,384,615	121.86%
Autism voucher	407,002	445,754	9.52%	1,325,009	0.18%	879,255	197.25%
Children's hospice waiver	0	7,485	N/A	60,780	0.01%	53,295	712.02%
Grant underfunding	0	(5,083,346)	N/A	0	0.00%	5,083,346	(100.00%)
Total	$610,453,756	$658,339,146	7.84%	$743,776,997	100.00%	$85,437,851	12.98%
Federal funds	$290,581,737	$312,224,211	7.45%	$351,995,070	47.32%	$39,770,859	12.74%
General fund	316,633,346	340,106,125	7.41%	389,185,565	52.33%	49,079,440	14.43%
Other funds	3,238,673	6,008,810	85.53%	2,596,362	0.35%	(3,412,448)	(56.79%)
Total	$610,453,756	$658,339,146	7.84%	$743,776,997	100.00%	$85,437,851	12.98%

[1]Based upon actual expenditures incurred through September 30, 2018.

Individual Program Summary

The following schedule compares the 2019-21 executive budget recommendation to the 2017-19 biennium original appropriations for individual programs:

	Federal Funds	General Fund	Health Care Trust Fund	"Retained" Funds	County Funds	Other Funds	Total Funds
Nursing homes							
2019-21 executive recommendation	$286,197,197	$286,197,140	$0	$0	$0	$0	$572,394,337
2017-19 original appropriation	281,210,513	279,524,266	1,686,191				562,420,970
Increase (decrease)	$4,986,684	$6,672,874	($1,686,191)	$0	$0	$0	$9,973,367
Basic care assistance							
2019-21 executive recommendation	$14,794,713	$31,399,246	$0	$0	$0	$2,596,362	$48,790,321
2017-19 original appropriation	11,608,864	25,452,014		2,284,362		1,821,981	41,167,221
Increase (decrease)	$3,185,849	$5,947,232	$0	($2,284,362)	$0	$774,381	$7,623,100
SPED							
2019-21 executive recommendation	$0	$17,552,203	$0	$0	$0	$0	$17,552,203
2017-19 original appropriation		14,521,739					14,521,739
Increase (decrease)	$0	$3,030,464	$0	$0	$0	$0	$3,030,464
Expanded SPED							
2019-21 executive recommendation	$0	$1,812,885	$0	$0	$0	$0	$1,812,885
2017-19 original appropriation		1,820,301					1,820,301
Increase (decrease)	$0	($7,416)	$0	$0	$0	$0	($7,416)
Home- and community-based services waiver							
2019-21 executive recommendation	$14,799,047	$14,799,060	$0	$0	$0	$0	$29,598,107
2017-19 original appropriation	8,054,303	8,054,298					16,108,601
Increase (decrease)	$6,744,744	$6,744,762	$0	$0	$0	$0	$13,489,506
Technology dependent waiver							
2019-21 executive recommendation	$289,806	$289,788	$0	$0	$0	$0	$579,594
2017-19 original appropriation	297,115	297,104					594,219
Increase (decrease)	($7,309)	($7,316)	$0	$0	$0	$0	($14,625)
Children's medically fragile waiver							
2019-21 executive recommendation	$267,540	$267,540	$0	$0	$0	$0	$535,080
2017-19 original appropriation	183,726	183,726					367,452
Increase (decrease)	$83,814	$83,814	$0	$0	$0	$0	$167,628
Targeted case management							
2019-21 executive recommendation	$994,368	$890,338					$1,884,706
2017-19 original appropriation	913,364	913,352					1,826,716
Increase (decrease)	$81,004	($23,014)	$0	$0	$0	$0	$57,990
Personal care community							
2019-21 executive recommendation	$16,928,239	$16,928,232	$0	$0	$0	$0	$33,856,471
2017-19 original appropriation	16,977,140	16,643,746					33,620,886
Increase (decrease)	($48,901)	$284,486	$0	$0	$0	$0	$235,585

	Federal Funds	General Fund	Health Care Trust Fund	"Retained" Funds	County Funds	Other Funds	Total Funds
Program of all-inclusive care for the elderly							
2019-21 executive recommendation	$16,433,344	$16,433,332	$0	$0	$0	$0	$32,866,676
2017-19 original appropriation	8,851,324	8,851,310					17,702,634
Increase (decrease)	$7,582,020	$7,582,022	$0	$0	$0	$0	$15,164,042
Children's hospice waiver							
2019-21 executive recommendation	$30,396	$30,384	$0	$0	$0	$0	$60,780
2017-19 original appropriation	58,649	58,632					117,281
Increase (decrease)	($28,253)	($28,248)	$0	$0	$0	$0	($56,501)
Autism waiver							
2019-21 executive recommendation	$1,260,420	$1,260,408	$0	$0	$0	$0	$2,520,828
2017-19 original appropriation	1,681,999	1,681,980					3,363,979
Increase (decrease)	($421,579)	($421,572)	$0	$0	$0	$0	($843,151)
Autism voucher							
2019-21 executive recommendation	$0	$1,325,009	$0	$0	$0	$0	$1,325,009
2017-19 original appropriation	0	1,325,009					1,325,009
Increase (decrease)	$0	$0	$0	$0	$0	$0	$0
Total - Long-term care programs							
2019-21 executive recommendation	$351,995,070	$389,185,565	$0	$0	$0	$2,596,362	$743,776,997
2017-19 original appropriation	329,836,997	359,327,477	1,686,191	2,284,362	0	1,821,981	694,957,008
Increase (decrease)	$22,158,073	$29,858,088	($1,686,191)	($2,284,362)	$0	$774,381	$48,819,989

HEALTHY STEPS FUNDING
(CHILDREN'S HEALTH INSURANCE PROGRAM)

The executive budget recommends maintaining eligibility requirements for the program at 175 percent of the federal poverty level based on modified adjusted gross income and serving a monthly average of 2,167 children for the 2019-21 biennium. In September 2018, 2,032 premiums were paid by the program. The 2019-21 executive budget includes funding for a monthly premium decrease of $69.70, or 21.6 percent, from the 2017-19 budgeted premium.

The schedule below compares the 2019-21 executive budget recommendation to 2017-19 projected expenditures.

	2013-15 Actual Expenditures	2015-17 Actual Expenditures	2017-19 Appropriation	2017-19 Projected Expenditures[1]	2019-21 Executive Budget	2019-21 Increase (Decrease) To 2017-19 Projected
General fund	$7,674,985	$1,936,477	$1,870,086	$1,879,750	$3,241,015	$1,361,265
Federal funds	14,324,710	11,830,437	13,712,891	13,796,252	9,311,859	(4,484,393)
Total	$21,999,695	$13,766,914	$15,582,977	$15,676,002	$12,552,874	($3,123,128)

[1]Based upon actual expenditures incurred through September 2018.

Federal Medical Assistance Percentage and North Dakota's Allocation

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

Federal Fiscal Year Ending	FMAP[1]	North Dakota Allocation
September 30, 2002	78.91%	$5,333,000
September 30, 2003	77.85%	$5,437,000
September 30, 2004	77.82%	$5,437,000
September 30, 2005	77.24%	$6,384,719
September 30, 2006	76.10%	$6,346,156
September 30, 2007	75.30%	$7,737,529
September 30, 2008	74.63%	$11,017,680[2]
September 30, 2009	74.21%	$15,821,554
September 30, 2010	74.11%	$16,595,628
September 30, 2011	72.25%	$15,257,665
September 30, 2012	68.78%	$16,063,553
September 30, 2013	66.59%	$17,311,376
September 30, 2014	65.00%	$18,787,251
September 30, 2015	65.00%	$20,997,498
September 30, 2016	88.00%[3]	$21,240,226
September 30, 2017	88.00%[3]	$21,886,855
September 30, 2018 (estimate)	88.00%[3]	$23,423,000
September 30, 2019 (estimate)	88.00%[3]	$26,835,000
September 30, 2020 (estimate)	76.54%[3]	$26,835,000

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

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

[3]The federal Affordable Care Act allowed the state to be eligible for an additional 23 percent federal match increase; therefore, the FMAP for the children's health insurance program (CHIP) is currently 88 percent. The 23 percent FMAP adjustment for CHIP will continue through federal fiscal year 2019. Beginning in federal fiscal year 2020, the FMAP adjustment percentage will be decreased from 23 to 11.5 percent. After federal fiscal year 2020, the matching rate will be returned to regular CHIP FMAP levels.

Children Enrolled and Premium Rates

The following schedule summarizes the average number of children enrolled each year, premium expenditures, and average monthly premium rates for the Healthy Steps program:

State Fiscal Year Ending	Monthly Average Children Enrolled	Premium Expenditures	Monthly Average Premium Rates
June 30, 2002	2,534	$3,823,196	$127.17
June 30, 2003	2,099	$3,213,705	$127.67
June 30, 2004	2,301	$4,220,838	$154.30
June 30, 2005	2,322	$4,348,931	$154.78
June 30, 2006	3,278	$7,156,204	$181.90
June 30, 2007	3,764	$8,285,245	$183.45
June 30, 2008	4,006	$9,725,149	$202.32
June 30, 2009	3,470	$8,496,620	$204.03
June 30, 2010	3,368	$9,262,366	$229.15
June 30, 2011	3,718	$10,388,805	$232.82
June 30, 2012	3,872	$12,668,649	$272.69
June 30, 2013	4,003	$12,946,819	$269.53
June 30, 2014	3,879	$13,059,110	$280.52
June 30, 2015	2,591	$8,940,585	$287.56
June 30, 2016	2,298	$7,532,537	$273.12
June 30, 2017	2,154	$6,805,328	$263.16
June 30, 2018	2,156	$7,617,617	$310.00
June 30, 2019 (estimate)	2,086	$7,652,100	$335.33
June 30, 2020 (estimate)	2,154	$6,538,805	$276.02
June 30, 2021 (estimate)	2,180	$6,014,069	$229.94

DEVELOPMENTAL DISABILITIES

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

DEVELOPMENTAL DISABILITIES PROGRAMS FOR THE 2019-21 BIENNIUM AS RECOMMENDED IN THE GOVERNOR'S BUDGET COMPARED TO THE 2011-13 THROUGH 2017-19 APPROPRIATIONS

	2011-13 Biennium Appropriations	2013-15 Biennium Appropriations	2015-17 Biennium Appropriations	2017-19 Biennium Appropriations	2019-21 Executive Budget Recommendation	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriations
Life Skills and Transition Center						
Total appropriation (excluding capital improvements)	$49,725,776	$53,816,557	$60,017,384	$59,110,913	$62,170,248	$3,059,335
Less estimated income	30,721,449	28,896,308	29,970,016	30,382,083	33,248,353	2,866,270
General fund	$19,004,327	$24,920,249	$30,047,368	$28,728,830	$28,921,895	$193,065
DD grants						
Day supports	$62,031,254	$78,915,377	$104,098,351	$111,277,436	$127,180,862	$15,903,426
Transitional community living	21,014,522	23,367,890	24,362,796	23,920,420	24,168,864	$248,444
Minimally supervised living	29,821,096	36,559,587	42,464,667	46,333,216	42,735,662	($3,597,554)
Supported living arrangement	1,314,023	1,400,288	1,274,409	1,170,578	1,032,824	($137,754)
Congregate care	4,507,088	5,450,496	4,648,789	3,931,730	5,121,890	$1,190,160
Family subsidy	901,200	435,696	117,832	0	0	$0
Infant development	12,172,112	14,052,940	16,386,597	23,331,012	29,976,424	$6,645,412
Family support services - In-home support	16,570,451	28,896,343	35,442,245	44,430,395	43,209,660	($1,220,735)
Family support services - Family care option	952,008	751,357	589,296	477,728	476,484	($1,244)
Family support services - Family care option III	5,796,714	7,710,386	9,521,302	7,460,950	5,202,650	($2,258,300)
Individual supervised living arrangement	84,253,112	104,776,984	126,076,508	142,338,056	163,651,301	$21,313,245
Specialized placements	1,597,120	1,798,790	1,660,679	0	0	$0
Title XIX waivered services	1,132,416	1,373,196	1,343,918	1,408,562	1,074,408	($334,154)
Extended services	6,060,636	6,764,627	5,955,874	7,275,360	6,079,824	($1,195,536)
Adult education transition services	90,068	153,656	140,897	129,816	0	($129,816)
Self-directed supports	4,698,204	8,412,825	4,305,440	4,936,272	11,016,330	$6,080,058
Extended home health care[1]	4,207,790	7,306,766	3,543,468	5,183,640	3,742,296	($1,441,344)
Parenting support[1]	101,148	211,314	135,515	110,950	51,336	($59,614)
Nurse intensive care waiver	0	0	0	500,000	508,510	$8,510
DD funding buckets[2]	8,422,628	8,935,580	9,339,664	9,339,728	0	(9,339,728)
Grant underfunding	0	0	0	(23,000,001)	0	23,000,001
Subtotal	$265,643,590	$337,274,098	$391,408,247	$410,555,848	$465,229,325	$54,673,477
Community ICF care	129,492,119	165,443,227	168,926,892	181,014,736	186,463,556	5,448,820
Total - DD grants	$395,135,709	$502,717,325	$560,335,139	$591,570,584	$651,692,881	$60,122,297
Less estimated income	222,513,894 [3]	251,023,161	292,788,102	300,118,212	328,865,884	28,747,672
General fund - DD grants	$172,621,815	$251,694,164	$267,547,037	$291,452,372	$322,826,997	$31,374,625

	2011-13 Biennium Appropriations	2013-15 Biennium Appropriations	2015-17 Biennium Appropriations	2017-19 Biennium Appropriations	2019-21 Executive Budget Recommendation	2019-21 Executive Budget Increase (Decrease) Compared to 2017-19 Appropriations
Vocational rehabilitation - Supported employment	$560,000	$600,000	$633,334	$633,333	$633,333	$0
Less estimated income	560,000	600,000	600,000	600,000	600,000	0
General fund	$0	$0	$33,334	$33,333	$33,333	$0
DD costs						
Central office	$10,970,048	$11,384,361	$10,730,170	$11,285,084	$11,075,734	($209,350)
Regional human service centers	14,734,650	16,861,852	18,414,363	33,250,157	32,528,934	(721,223)
Total additional DD costs	$25,704,698	$28,246,213	$29,144,533	$44,535,241	$43,604,668	($930,573)
Less estimated income	14,331,237	24,218,183	13,139,383	21,317,409	23,583,438	2,266,029
General fund - Additional DD costs	$11,373,461	$4,028,030	$16,005,150	$23,217,832	$20,021,230	($3,196,602)
Grand total - DD services	$471,126,183	$585,380,095	$650,130,390	$695,850,071	$758,101,130	$62,251,059
Less grand total estimated income	268,126,580	304,737,652	336,497,501	352,417,704	386,297,675	33,879,971
Grand total - General fund - DD services	$202,999,603	$280,642,443	$313,632,889	$343,432,367	$371,803,455	$28,371,088

NOTE: The amounts shown for the 2011-13 through 2017-19 bienniums are the adjusted appropriations.

[1]Prior to the 2011-13 appropriation, these services were previously included in family support services - In-home support amounts.

[2]Enhanced funding for various critical needs provided to children and adults with disabilities.

[3]Includes Bank of North Dakota loan funds of $1,190,654.

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

Actual		Executive Recommendation	
July 1, 2005	2.65%	July 1, 2019	1.00%
July 1, 2006	2.65%	July 1, 2020	1.00%
July 1, 2007	4.00%		
July 1, 2008	5.00%		
July 1, 2009	6.00%		
July 1, 2010	6.00%		
July 1, 2011	3.00%		
July 1, 2012	3.00%		
July 1, 2013	3.00%		
July 1, 2014	3.00%		
July 1, 2015	3.00%		
July 1, 2016	0.00%		
July 1, 2017	0.00%		
July 1, 2018	0.00%		

MENTAL HEALTH SERVICES
EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2019-21 BIENNIUM
COMPARED TO THE 2011-13 THROUGH 2017-19 BIENNIUM LEGISLATIVE APPROPRIATIONS

	2011-13 Adjusted Appropriations	2013-15 Adjusted Appropriations	2015-17 Adjusted Appropriations	2017-19 Adjusted Appropriations	2019-21 Executive Budget Recommendation	Executive Budget Increase (Decrease) Compared to 2017-19 Adjusted Appropriations
State Hospital						
Traditional services	$49,619,507	$51,909,594	$58,900,983	$65,177,886	$61,403,192	($3,774,694)
Secure services	10,944,114	12,469,059	13,118,938	11,843,436	11,984,137	140,701
Capital improvements	2,596,251	1,775,168	3,101,349	1,348,249	38,846,799 [2]	37,498,550
Total	$63,159,872	$66,153,821	$75,121,270	$78,369,571	$112,234,128	$33,864,557
Less estimated income	12,591,202	14,214,982	13,673,947	24,286,319	22,142,603	(2,143,716)
General fund	$50,568,670	$51,938,839	$61,447,323	$54,083,252	$90,091,525	$36,008,273
Department of Human Services						
Central office - Mental health	$5,031,091	$4,776,261	$5,268,278	$9,007,661	$4,398,317	($4,609,344)
Central office - Community treatment - Sex offender population	1,863,135	2,290,297	0	0	0	0
Human service centers - Mental health	79,054,412 [1]	90,557,128 [1]	101,786,614 [1]	124,257,042 [1]	130,300,609 [1]	6,043,567
Total	$85,948,638	$97,623,686	$107,054,892	$133,264,703	$134,698,926	$1,434,223
Less estimated income	41,147,482	41,221,480	43,891,345	46,633,557	46,647,582	14,025
General fund	$44,801,156	$56,402,206	$63,163,547	$86,631,146	$88,051,344	$1,420,198
Grand total - Mental health services	$149,108,510	$163,777,507	$182,176,162	$211,634,274	$246,933,054	$35,298,780
Less grand total estimated income	53,738,684	55,436,462	57,565,292	70,919,876	68,790,185	(2,129,691)
Grand total - General fund - Mental health	$95,369,826	$108,341,045	$124,610,870	$140,714,398	$178,142,869	$37,428,471

[1]The funding source detail for human service centers/mental health services is:

	2011-13 Adjusted Appropriations	2013-15 Adjusted Appropriations	2015-17 Adjusted Appropriations	2017-19 Adjusted Appropriations	2019-21 Executive Budget Recommendation	Increase (Decrease) Compared to 2017-19 Appropriations
General fund	$40,637,993	$51,353,046	$59,783,167	$77,623,485	$83,653,027	$6,029,542
Other funds	38,416,419	39,204,082	42,003,447	46,633,557	46,647,582	14,025
Total	$79,054,412	$90,557,128	$101,786,614	$124,257,042	$130,300,609	$6,043,567

[2]The executive budget includes a $35 million general fund appropriation for the construction of a new state behavioral hospital and clinic.

ANALYSIS OF NEW PROGRAMS AND MAJOR CHANGES TO EXISTING PROGRAMS FOR OTHER STATE AGENCIES INCLUDED IN THE 2019-21 EXECUTIVE BUDGET

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
GENERAL GOVERNMENT					
101	**Governor's office**				
	• Increases funding for operating expenses		$60,000		$60,000
	• Reduces funding for the governor's salary line item providing a total of $79,884		($199,446)		($199,446)
	• Adds **one-time funding** for governor's transition in and out expenses		$65,000		$65,000
	• Adds **one-time funding** for technology improvements to the boards and commissions database		$139,808		$139,808
108	**Secretary of State**				
	• Increases special fund spending authority resulting from a recommended increase in filing fees collected and retained by the secretary of state			$800,000	$800,000
	• Removes $659,077, of which $527,002 is from the general fund for data processing for the AS400 business and licensing software as a result of the implementation of FirstStop software and adds funding for operating expenses from the secretary of state operating fund		($527,002)	$620,673	$93,671
	• Reduces ongoing funding for election reform, including reductions for IT software ($133,153), data processing ($100,229), contractual services and repairs ($121,000), and professional fees ($48,115)			($402,497)	($402,497)
	• Adds one-time funding from the **strategic investment and improvements fund** ($8 million) and federal funds ($3 million) to purchase a new voting system and e-poll books			$11,000,000	$11,000,000
110	**Office of Management and Budget**				
	• Removes 5 full-time equivalent (FTE) positions, including 3 custodians and 2 system mechanics	(5.00)	($560,182)		($560,182)
	• Underfunds salaries and wages		($697,943)	($645,951)	($1,343,894)
	• Transfers 4 FTE positions, including 1 information technology program administrator, 2 computer networking specialists, and 1 business analyst position, to the Information Technology Department (ITD) for the information technology unification initiative resulting in an increase in operating expenses for the agency	(4.00)	$40,312		$40,312
	• Adds **one-time funding** from the Capitol building fund for extraordinary repairs, including parking lot repairs, electrical transformer replacement, and other undesignated projects			$1,900,000	$1,900,000
	• Adds one-time funding from the **strategic investment and improvements fund** for a litigation funding pool			$4,000,000	$4,000,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Adds **one-time funding** for a health savings account funding pool		$800,000	$700,000	$1,500,000
	• Adds one-time funding from the **strategic investment and improvements fund** for a comprehensive study of state lands and buildings			$2,430,000	$2,430,000
112	**Information Technology Department**				
	• Adds 145.5 FTE information technology positions from 14 agencies for an information technology shared service unification initiative, including $28 million of salaries and wages and $15.9 million of operating expenses	145.50		$43,957,933	$43,957,933
	• Transfers the Center for Distance Education to the Department of Career and Technical Education	(29.80)	($5,697,613)	($2,473,590)	($8,171,203)
	• Adds 17 FTE cybersecurity positions	17.00	$4,935,690		$4,935,690
	• Adds one-time funding for the statewide interoperable radio network (SIRN) project, including $40 million from the **strategic investment and improvements fund** and $4 million from the SIRN fund			$44,000,000	$44,000,000
	• Adds one-time funding from the **strategic investment and improvements fund** for various large information technology projects			$26,050,000	$26,050,000
	• Adjusts funding for PowerSchool		$4,950,000	($4,950,000)	$0
117	**State Auditor**				
	• Removes 1 FTE local government division position, 1 FTE state audit division position, and underfunds salaries and wages	(2.00)	($725,229)	($2)	($725,231)
	• Adds 2 FTE local government division positions, including operating expenses of $30,000	2.00		$366,742	$366,742
	• Adds funding for an information technology review of ITD and the North Dakota University System		$450,000		$450,000
120	**State Treasurer**				
	• No major changes were identified for this agency.				
125	**Attorney General**				
	• Removes 1 FTE criminal records analyst position, 2 FTE assistant attorney general positions, and 3 FTE undesignated positions	(6.00)	($641,089)	($272,399)	($913,488)
	• Adds funding for a Medicaid fraud control unit, including salaries for 5 FTE Medicaid fraud control unit positions	5.00	$128,635	$1,290,831	$1,419,466
	• Adds 1 FTE administrative assistant II position in the State Fire Marshal division	1.00		$128,716	$128,716
	• Adds **one-time funding** for undercover vehicle replacements		$300,000		$300,000
	• Adds **one-time funding** for a criminal history improvement project ($400,000), Criminal Justice Information Services projects ($140,000), and an automated fingerprint identification system replacement project ($316,000)		$158,000	$698,000	$856,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
127	**Tax Commissioner**				
	• Removes 10 FTE unfunded vacant positions, including 2 office assistants, 1 account technician, 2 auditors, and 5 unspecified positions	(10.00)	$0		$0
	• Underfunds salaries and wages		($772,252)		($772,252)
	• Increases funding for the homestead tax credit program ($1,000,000) and the disabled veterans' tax credit program ($300,000)		$1,300,000		$1,300,000
140	**Office of Administrative Hearings**				
	• No major changes were identified for this agency				
150	**Legislative Assembly**				
	• Provides funding for annual legislative compensation increases of 2 percent, including monthly compensation, additional leadership monthly compensation, and daily session pay		$196,858		$196,858
	• Increases funding for temporary salaries		$24,000		$24,000
	• Restores funding for 2 legislative days removed in 2017 to provide for a total of 77 legislative days for 2021		$160,000		$160,000
	• Adds funding for increases in monthly lodging		$40,670		$40,670
	• Increases funding for National Conference of State Legislatures dues		$38,278		$38,278
	• Adds **one-time funding** for digital signage replacement ($40,000), voting system upgrades ($100,000), and laptop and iPad replacement ($517,760)		$657,760		$657,760
160	**Legislative Council**				
	• Provides funding for annual legislative compensation increases of 2 percent for interim meeting per diem		$19,731		$19,731
	• Reduces funding for per diem salaries and wages related to a reduction in interim committee sizes		($59,457)		($59,457)
	• Restores funding for 1 of 2 unfunded administrative positions		$125,579		$125,579
	• Adds funding for a session retention program		$117,512		$117,512
	• Restores funding reduced by 10 percent in 2017 for other meeting and out-of-state travel for legislators		$112,048		$112,048
	• Increases funding for estimated increases in lodging rates		$11,600		$11,600
	• Increases funding for professional services to provide a total of $200,000		$75,000		$75,000
	• Adds **one-time funding** for computer replacement ($124,856) and redistricting equipment ($22,400)		$147,256		$147,256
180	**Judicial branch**				
	Supreme Court				
	• Reduces funding for miscellaneous expenses, including equipment, information technology, and other operating expenses		($65,255)		($65,255)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	District Court				
	• Adds 7 FTE positions, including 2 deputy clerks of court, 2 law clerks, 1 court recorder, 1 judge, and 1 court reporter	7.00	$1,436,793		$1,436,793
	• Adds funding for the court improvement program		$79,904	$378,318	$458,222
	• Reduces funding for miscellaneous expenses, including equipment, information technology, and other operating expenses		($644,975)	($12,502)	($657,477)
	Judicial Conduct Commission				
	• Converts a part-time temporary paralegal position to a 0.5 FTE position	0.50	$22,715	$14,111	$36,826
188	**Commission on Legal Counsel for Indigents**				
	• Adds funding for professional fees for a $5 hourly rate increase for contracted attorneys		$600,000		$600,000
190	**Retirement and Investment Office**				
	• Adds 1 FTE investment analyst position and related operating expenses of $14,450	1.00		$309,446	$309,446
192	**Public Employees Retirement System**				
	• Removes 1 FTE undesignated position	(1.00)		$138,796	$138,796
	• Adds **one-time funding** for an information technology risk assessment ($40,000) and a business system software upgrade project ($190,000)			$230,000	$230,000
EDUCATION					
226	**Department of Trust Lands**				
	• Removes 3 FTE positions, including 2 administrative assistants and 1 audit technician	(3.00)		($288,863)	($288,863)
	• Adds 2 FTE positions, including 1 administrative assistant and 1 attorney, and related operating expenses	2.00		$415,492	$415,492
	• Transfers 2 FTE programmer analyst positions to ITD for the information technology unification initiative resulting in an increase in operating expenses for the agency	(2.00)		$23,175	$23,175
	• Adds funding for a mineral valuation study			$350,000	$350,000
270	**Department of Career and Technical Education**				
	• Transfers the Center of Distance Education from ITD to the Department of Career and Technical Education	29.80	$8,171,203		$8,171,203
	• Adds funding for grants to school districts and area centers to provide total ongoing funding of $23,246,580 from the general fund		$2,477,000		$2,477,000
	• Adds funding for anticipated increases in federal funds			$2,000,000	$2,000,000
	• Adds **one-time funding** for workforce development grants for the establishment of career academies		$30,000,000		$30,000,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
HEALTH AND HUMAN SERVICES					
301	**State Department of Health**				
	• Removes funding for 10.5 FTE positions and related operating expenses agencywide to meet the governor's 90 percent budget and FTE reduction guidelines, including 1.5 FTE positions related to the medical marijuana program and $742,435 from special funds from fees	(10.50)	($5,045,699)	($1,326,476)	($6,372,175)
	• Removes funding related to the medical marijuana program. Funding for the program is provided through a continuing appropriation		($451,267)	($404,157)	($855,424)
	• Transfers 4.5 FTE positions to ITD for the information technology unification initiative ($694,550) and increases funding for operating expenses ($740,333)	(4.50)	$9,913	$35,870	$45,783
	• Restores funding for 3 FTE positions and related operating expenses in the forensic examiner's division removed as part of the base budget reductions	3.00	$1,860,855		$1,860,855
	• Transfers the suicide prevention program, including 1 FTE position and related salary funding, operating expenses, and grants from the State Department of Health to the Department of Human Services	(1.00)	($1,260,512)	($583,984)	($1,844,496)
	• Adds 1 FTE food and lodging environmental health position, including operating expenses	1.00	$185,905		$185,905
	• Increases vital records fees and restores funding removed as part of the base budget reductions for the vital records division from special funds from fee collections			$1,932,322	$1,932,322
	• Changes the funding source to the general fund for programs funded from the tobacco prevention and control trust fund during the 2017-19 biennium, including grants to local public health units ($2,000,000), cancer programs ($644,804), stroke and cardiac care programs ($756,418), physician loan repayment program ($480,000), behavioral health loan repayment program ($243,640), tobacco prevention and control programs ($8,453,333), and domestic violence offender treatment grants ($300,000)		$12,878,195	($12,878,195)	$0
	• Changes the funding source for tobacco prevention and control grants from the general fund to the community health trust fund		($6,500,000)	$6,500,000	$0
	• Adds **one-time funding**, including funding from federal funds, for microbiology laboratory information technology upgrades		$90,000	$360,000	$450,000
	• Adds one-time funding from the **strategic investment and improvements fund** for microbiology laboratory capital improvements			$1,220,000	$1,220,000
303	**Department of Environmental Quality**				
	• Removes 7.5 FTE positions, and related operating expenses, operating expenses related to the water treatment systems operator certification program, and special funding for grants related to the Volkswagen trust settlement to meet the governor's 90 percent budget and FTE reduction guidelines	(7.50)	($1,007,796)	($1,212,507)	($2,220,303)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Transfers 1 FTE position to ITD for the information technology unification initiative ($207,423) and increases funding for operating expenses ($222,805)	(1.00)	$3,078	$12,304	$15,382
	• Restores funding for 4.5 FTE oil field spill response positions removed as part of base budget reductions	4.50	$733,673		$733,673
	• Transfers the petroleum tank release program from the Insurance Department to the Department of Environmental Quality, including 2 FTE positions and related operating expenses	2.00		$575,069	$575,069
	• Adds funding for 10 FTE positions, including related operating expenses, in the 2nd year of the biennium for the supremacy of federal programs. The appropriation is contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs	10.00	$1,248,945		$1,248,945
	• Adds one-time funding from the **strategic investment and improvements fund** for capital assets and operating expenses related to the establishment of federal program supremacy, contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs			$1,040,000	$1,040,000
	• Adds funding for grants to accept and disburse funding from the Volkswagen trust settlement			$4,655,000	$4,655,000
	• Restores a portion of the funding for the water treatment systems operator certification program		$125,000		$125,000
313	**Veterans' Home**				
	• Underfunds 6 FTE positions		($355,309)	($483,731)	($839,040)
	• Adds **one-time funding** for various capital asset projects and purchases			$117,400	$117,400
	• Adds **one-time funding** for a strategic plan		$25,000		$25,000
316	**Indian Affairs Commission**				
	• Reduces funding for the American Indian Business Office to provide a total of $64,856		($35,144)		($35,144)
321	**Department of Veterans' Affairs**				
	• Adds **one-time funding** for temporary salaries related to the loan and grant program ($140,000) and grant database enhancements		$147,500		$147,500
360	**Protection and Advocacy Project**				
	• Adds **one-time funding** for retirement payouts ($132,550) and a polycom machine ($8,000)		$72,550	$68,000	$140,550
	• Adds 1 FTE attorney II position, including related operating expenses of $25,750 relating to the Olmstead Commission		$164,314	$74,615	$238,929
380	**Job Service North Dakota**				
	• Transfers 16 FTE information technology positions to ITD for the information technology unification initiative	(16.00)		($3,005,689)	($3,005,689)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Removes 9 unfunded FTE positions	(9.00)			$0
	• Adds funding for information technology data processing operating expenses related to the shared service unification initiative			$4,100,418	$4,100,418
	• Reduces Reed Act funding ($122,591) and increases other federal funds ($5.4 million) for unemployment insurance computer modernization			$5,283,209	$5,283,209
REGULATORY					
401	**Insurance Commissioner, Including Insurance Tax Payments to Fire Departments**				
	• Underfunds salaries and wages			($107,990)	($107,990)
	• Adds 1 FTE consumer assistance outreach coordinator position	1.00		$29,824	$29,824
	• Removes 3 FTE positions related to contracting for administration of the fire and tornado and bonding funds with the North Dakota insurance reserve fund	(3.00)		($610,352)	($610,352)
	• Adds funding to contract with the North Dakota insurance reserve fund for fund administration			$660,804	$660,804
	• Reduces funding for operating expenses			($636,621)	($636,621)
405	**Industrial Commission**				
	• Reduces funding for bond payments			($2,701,717)	($2,701,717)
	• Adds one-time funding from the **strategic investment and improvements fund** for a rare earth element study ($160,000) and a fracturing sand study ($110,000)			$270,000	$270,000
	• Adds one-time funding from the **strategic investment and improvements fund** for an oil database software upgrade project			$5,000,000	$5,000,000
406	**Department of Labor and Human Rights**				
	• Adds **one-time funding** for a paperless processing system		$69,659		$69,659
408	**Public Service Commission**				
	• Adds funding for a natural gas pipeline inspector ($260,604) and related operating expenses ($70,000)		$165,301	$165,303	$330,604
	• Removes 1 FTE grain warehouse licensing inspector position ($133,259) and related operating expenses ($104,553)	(1.00)	($237,812)		($237,812)
	• Adds funding for replacement of information technology equipment		$10,000		$10,000
	• Adds **one-time funding** from federal funds for specialized legal services			$336,000	$336,000
412	**Aeronautics Commission**				
	• Adjusts special funds to increase salaries and wages ($31,350) and reduce operating expenses ($200,190) and grants ($950,000)			($1,118,840)	($1,118,840)
	• Reduces ongoing funding for airport grants		($45,000)		($45,000)
	• Adds one-time funding from the **strategic investment and improvements fund** for energy impact grants to airports			$22,000,000	$22,000,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
413	**Department of Financial Institutions**				
	• Adds 1 FTE cybersecurity/money transmitter examiner positon ($194,559) and related operating expenses ($60,000)	1.00		$254,559	$254,559
	• Reduces funding for operating expenses			($294,160)	($294,160)
	• Authorizes the department to continue unexpended 2017-19 biennium appropriations to be used for a website redesign project			$451,305	$451,305
414	**Securities Department**				
	• Adds 1 FTE financial technology research and investigation positon ($209,294) and related operating expenses ($23,000)	1.00	$232,294		$232,294
471	**Bank of North Dakota**				
	• Increases funding for information technology costs			$1,071,800	$1,071,800
	• Increases funding for contingency expenses			$1,000,000	$1,000,000
	• Provides for transfers from the general fund to an infrastructure revolving loan fund ($55 million) and a school construction assistance revolving loan fund ($25 million)		$80,000,000		$80,000,000
473	**Housing Finance Agency**				
	• Adds funding for mortgage servicing premium expenses			$602,921	$602,921
	• Adds funding for federal housing grants			$1,651,772	$1,651,772
	• Provides for a transfer from the **strategic investment and improvements fund** to the housing incentive fund			$20,000,000	$20,000,000
475	**Mill and Elevator Association**				
	• Adds 4 FTE positions, including 2 food safety workers and 2 utility workers	4.00		$570,165	$570,165
	• Adds funding for increased costs related to utilities, insurance, and repairs			$1,642,000	$1,642,000
485	**Workforce Safety and Insurance**				
	• Transfers 12 FTE information technology positions and one temporary position to ITD for the information technology unification initiative	(12.00)		($2,632,159)	($2,632,159)
	• Adds funding for operating expenses related to the shared service unification initiative			$2,824,915	$2,824,915
	• Underfunds 6 FTE positions			($1,012,252)	($1,012,252)
	• Reduces operating expenses, primarily related to professional service fees			($2,332,176)	($2,332,176)
	• Adds **one-time funding** for a claims and policy system replacement project ($7,010,000) and a myWSI enhancement project ($850,000)			$7,860,000	$7,860,000
PUBLIC SAFETY					
504	**Highway Patrol**				
	• Removes 5 FTE nonsworn positions including 4 administrative assistants and 1 cook	(5.00)	($478,256)	($104,867)	($583,123)

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Adds funding for mileage rate increases		$313,000	$51,000	$364,000
	• Adds **one-time funding** to replace trooper body armor		$86,000	$14,000	$100,000
	• Provides **one-time funding** to replace Taser cartridges		$28,000	$4,000	$32,000
	• Provides **one-time funding** to replace automated external defibrillator pads		$12,000	$2,000	$14,000
	• Provides **one-time funding** to overhaul the engine on the department's airplane		$81,830	$0	$81,830
	• Provides one-**time funding** to purchase drones		$96,228	$0	$96,228
	• Provides one-time funding from the **strategic** investment **and improvements fund** to construct an addition to the indoor shooting range		$0	$1,220,000	$1,220,000
530	**Department of Corrections and Rehabilitation**				
	Juvenile Services				
	• Converts 2 temporary correctional officer positions to FTE positions	2.00	$27,772		$27,772
	• Transfers 1.12 FTE positions to ITD for the information technology unification initiative	(1.12)	($192,175)		($192,175)
	• Adds funding for information technology expenses associated with the information technology unification initiative		$204,168		$204,168
	• Adds funding to expand juvenile day treatment to five additional school districts to provide for a total of nine school districts receiving the services and total funding of $1,053,500		$537,500		$537,500
	• Adds funding for extraordinary repairs		$372,000		$372,000
	• Provides one-time funding from the **strategic investment and improvements fund** for a campus study of the Youth Correctional Center			$250,000	$250,000
	Adult Services				
	• Converts 18 temporary correctional officer positions to FTE positions	18.00	$298,663		$298,663
	• Adds funding and FTE positions to establish a minimum security correctional facility at the James River Correctional Center	36.20	$11,169,113		$11,169,113
	• Adds FTE positions to convert the Missouri River Correctional Center to a female correctional facility	8.60	$1,575,747		$1,575,747
	• Removes funding for contract payments to the Dakota Women's Correctional Rehabilitation Center		($10,761,951)		($10,761,951)
	• Adds funding and FTE positions to operate of a portion of the Tompkins Rehabilitation and Corrections Center	27.50	$5,031,222		$5,031,222
	• Removes funding for contract payments to the Department of Human Services relating to the Tompkins Rehabilitation and Corrections Center		($8,607,462)		($8,607,462)
	• Adds funding to contract with the State Hospital for up to 30 addiction treatment beds		$3,873,750		$3,873,750

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Adds funding and FTE positions for pretrial services	7.00	$755,034		$755,034
	• Transfers FTE positions to ITD for the information technology unification initiative	(4.88)	(1,012,105)		(1,012,105)
	• Adds funding for information technology expenses associated with the information technology unification initiative		$1,072,919		$1,072,919
	• Increases federal funds authority for anticipated increases in grant funding			$6,800,000	$6,800,000
	• Adds funding for Microsoft Office 365		$544,455	$96,983	$641,438
	• Provides one-time funding from the **strategic investment and improvements fund** to renovate the Missouri River Correctional Center to house female inmates			$2,443,077	$2,443,077
	• Provides one-time funding from the **strategic investment and improvements fund** for a campus study of the James River Correctional Center and the State Hospital			$500,000	$500,000
	• Provides one-time funding from the **strategic investment and improvements fund** for inmate tracking systems and other information technology upgrades			$633,200	$633,200
	• Provides one-time funding from the **strategic investment and improvements fund** for security equipment and redundant fencing			$412,000	$412,000
540	**Adjutant General, Including the National Guard and Department of Emergency Services**				
	• Adds 3 FTE positions for the Fargo Readiness Center	3.00	$131,028	$131,029	$262,057
	• Removes 9 FTE positions, including 4 communications specialists, 1 geographic information system specialist, 1 carpenter, 1 security officer, and 2 veterans benefits specialists	(9.00)	($1,017,146)	($178,523)	($1,195,669)
	• Reclassifies 1 FTE security officer position as a project manager position for the Camp Grafton expansion		$221,598	($132,379)	$89,219
	• Transfers FTE positions to ITD for the information technology unification initiative	(4.00)	($422,649)	($289,717)	($712,366)
	• Adds funding for information technology expenses associated with the information technology unification initiative		$444,077	$304,423	$748,500
	• Increases funding for state radio operating expenses			$542,338	$542,338
	• Increases funding for National Guard tuition assistance to provide a total of $4,617,500		$2,000,000		$2,000,000
	• Reduces funding for Army Guard contract repairs			($12,000,000)	($12,000,000)
	• Reduces funding for disaster costs and emergency services grants			($19,323,787)	($19,323,787)
	• Adds **one-time funding** for the Camp Grafton expansion project		$15,000,000		$15,000,000
	• Adds one-time funding from the **strategic investment and improvements fund** to address a shortfall in 911 dispatching service funding			$1,212,253	$1,212,253

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
AGRICULTURE AND ECONOMIC DEVELOPMENT					
601	**Department of Commerce**				
	• Removes 4.60 unclassified FTE positions	(4.60)	($480,681)	($275,906)	($756,587)
	• Transfers 1 FTE information technology position to ITD for the information technology unification initiative	(1.00)	($181,578)	($9,558)	($191,136)
	• Adds funding for operating expenses related to the shared service unification initiative		$193,889	$10,205	$204,094
	• Adds funding for the unmanned aircraft systems program		$3,000,000	$2,000,000	$5,000,000
	• Adds funding for a workforce development initiative, including operation intern ($950,000) and youth innovation grants ($100,000)		$1,050,000		$1,050,000
	• Reduces special funds for the Agricultural Products Utilization Commission			($2,397,799)	($2,397,799)
	• Adds funding for state marketing initiatives		$3,000,000		$3,000,000
	• Adds funding for base retention grants		$600,000		$600,000
	• Adds **one-time funding** for a beyond visual line of site system to promote implementation of unmanned aerial vehicles ($30 million), Research ND ($20 million), and a grant for the Theodore Roosevelt Presidential Library project in Medora ($50 million)		$100,000,000		$100,000,000
	• Adds one-time funding from the **strategic investment and improvements fund** for the Census 2020 program ($1 million) and the entrepreneurship grants and vouchers program, also known as Innovate ND ($4 million)			$5,000,000	$5,000,000
	• Adds one-time funding from the **strategic investment and improvements fund** for a workforce development initiative, including tribal community grants ($500,000), rural nurse program grants ($750,000), nursing tuition support ($100,000), and career exposure tools ($250,000)			$1,600,000	$1,600,000
	• Adds one-time funding from the **strategic investment and improvements fund** for enhanced use lease grants			$3,000,000	$3,000,000
602	**Department of Agriculture**				
	• Removes 1 FTE agriculture division director position and 1 FTE data processing coordinator II position	(2.00)	($317,001)		($317,001)
	• Adds **one-time funding** for a master customer database project		$110,000		$110,000
627	**Upper Great Plains Transportation Institute**				
	• Reduces funding for operations		($172,159)		($172,159)
628	**Branch Research Centers**				
	• Adjusts FTE positions	(0.48)			
	• Reduces funding for operations		($1,200,560)		($1,200,560)
	• Adds funding for the Oakes irrigation site			$200,000	$200,000

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
630	**North Dakota State University Extension Service**				
	• Adjusts FTE positions	(10.47)			
	• Reduces funding for operations		($1,063,332)		($1,063,332)
	• Adds **one-time funding** for website and digital upgrades		$345,000		$345,000
638	**Northern Crops Institute**				
	• Adjusts FTE positions	1.00			
	• Adjusts funding sources for operations		($94,345)	$94,345	$0
640	**North Dakota State University Main Research Center**				
	• Adjusts FTE positions	3.93			
	• Adjusts funding for operations		($2,955,742)	$2,000,000	($955,742)
	• Reduces capital funding from special funds			($5,997,398)	($5,997,398)
	• Adds one-time funding from the **strategic investment and improvements fund** for extraordinary repairs			$1,440,465	$1,440,465
649	**Agronomy Seed Farm**				
	• No major changes were identified for this agency				
665	**State Fair Association**				
	• No major changes were identified for this agency				
670	**Racing Commission**				
	• No major changes were identified for this agency				
NATURAL RESOURCES					
701	**State Historical Society**				
	• Adds funding for Microsoft Office 365		$55,690		$55,690
	• Adds funding for equipment		$81,000		$81,000
	• Adds **one-time funding** for historic site repairs		$500,000	$550,000	$1,050,000
	• Adds **one-time funding** for exhibit and collections care		$372,000		$372,000
709	**Council on the Arts**				
	• Reduces funding for operating expenses		($28,932)	($955)	($29,887)
720	**Game and Fish Department**				
	• Transfers 3 information technology FTE positions and related funding to ITD ($519,904) and adds funding of $555,688 for payments to ITD for the information technology unification initiative	(3.00)		$35,784	$35,784
	• Underfunds salaries and wages			($342,077)	($342,077)
	• Adds funding for Microsoft Office 365			$122,634	$122,634
	• Adds funding for Department of Agriculture wildlife services grants to provide a total of $500,000			$115,600	$115,600

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
	• Increases federal funding for shooting range grants			$500,000	$500,000
	• Adjusts funding for administrative services core functions			$814,114	$814,114
	• Adjusts funding for the Fisheries Division			$660,969	$660,969
	• Adjusts funding for the Enforcement Division			$60,099	$60,099
	• Adjusts funding for the Conservation and Communications Division			$219,306	$219,306
	• Adjusts funding for the Wildlife Division			$737,192	$737,192
	• Removes funding for capital assets			($413,065)	($413,065)
	• Reduces funding for grants			($1,603,019)	($1,603,019)
750	**Parks and Recreation Department**				
	• Transfers 1 FTE information technology position and related funding to ITD ($177,868) and adds funding of $191,314 for payments to ITD for the information technology unification initiative	(1.00)	$13,446		$13,446
	• Reduces funding for salaries and wages		($105,086)		($105,086)
	• Adds funding for Microsoft Office 365		$68,138	$23,071	$91,209
	• Adjusts funding for operating expenses		($177,016)	$516	($176,500)
	• Increases federal funds spending authority relating to the land and water conservation fund			$1,910,882	$1,910,882
	• Removes funding for capital assets and extraordinary repairs			($440,000)	($440,000)
	• Adds **one-time funding** for additional extraordinary repairs			$634,126	$634,126
	• Adds **one-time funding** for additional equipment			$622,000	$622,000
	• Adds **one-time funding** for a state park survey			$150,000	$150,000
	• Adds **one-time funding** for recreation mapping			$75,000	$75,000
	• Adds **one-time funding** for traffic counters			$75,000	$75,000
	• Adds one-time funding from the **strategic investment and improvements fund** for capital projects			$1,755,000	$1,755,000
	• Adds one-time funding from the **strategic investment and improvements fund** for International Peace Garden projects			$5,000,000	$5,000,000
770	**State Water Commission**				
	• Removes 4 FTE positions and related funding	(4.00)		($693,912)	($693,912)
	• Reduces funding for operating expenses			($4,820,612)	($4,820,612)
	• Increases funding for capital assets			$994,316	$994,316
	• Reduces funding available for new projects to provide a total of $350,751,493			($191,942,990)	($191,942,990)
	• Adjusts funding available for project carryover to provide a total of $308,333,818			$308,333,818	$308,333,818

Dept. No.	Agency/Item Description	FTE Changes	General Fund Increase (Decrease)	Special Funds Increase (Decrease)	Total
TRANSPORTATION					
801	**Department of Transportation**				
	• Removes 42 FTE positions and related funding	(42.00)		($7,979,595)	($7,979,595)
	• Restores 16 FTE positions for research and development, enterprise management, and to transform the department's artificial intelligence and design, drones, robotics, smart license plates, and digital driver's licenses	16.00		$3,000,000	$3,000,000
	• Transfers 41 FTE information technology positions and related funding to ITD ($8,224,012) and adds funding of $8,305,224 for payments to ITD for the information technology unification initiative	(41.00)		$81,212	$81,212
	• Increases funding for the rail loan program from the highway fund			$11,100,000	$11,100,000
	• Adds funding to implement recommendations from the department's snow and ice control study			$750,000	$750,000
	• Adds funding for Microsoft Office 365			$708,498	$708,498
	• Adds **one-time funding** from the highway fund for improvements to the Minot and Willliston driver's license facilities			$1,300,000	$1,300,000
	• Adds one-time funding from the **strategic investment and improvements fund** to replace the current driver's license system			$22,500,000	$22,500,000
	• Adds one-time funding from the **strategic investment and improvements fund** to replace the Traffic Data Editing and Analysis program			$1,525,838	$1,525,838
	• Adds one-time funding from the **strategic investment and improvements fund** for automatic vehicle location to improve efficiencies in winter operations			$2,650,709	$2,650,709
	• Adds one-time funding from the **strategic investment and improvements fund** to update its road construction software			$9,100,000	$9,100,000
	• Adds one-time funding from the **strategic investment and improvements fund** for a comprehensive maintenance management system			$3,850,000	$3,850,000

SECTION H - CAPITAL CONSTRUCTION

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CAPITAL CONSTRUCTION - SUMMARY OF KEY RECOMMENDATIONS

CAPITAL PROJECTS

The executive budget recommendation includes a total of $1,331,021,822 for capital projects as reflected on the following schedule:

	General Fund	Special Funds	Total Funds
Major capital projects - See the major new capital construction schedule on page H-2	$50,000,000	$305,396,000	$355,396,000
Extraordinary repairs - See the extraordinary repairs schedule on page H-3	17,947,569	16,460,863	34,408,432
Department of Transportation - Bond payments	0	1,013,189	1,013,189
Department of Transportation - Contractor payments	0	814,062,094	814,062,094
Water projects	0	112,996,308	112,996,308[1]
Game and Fish Department - Fisheries		268,329	268,329
Institutions of higher education special assessments	64,292	407,039	471,331
State agency special assessments	264,046	0	264,046
Payments in lieu of taxes	50,000	1,383,000	1,433,000[2]
Other bond payments	9,019,765	1,689,328	10,709,093
Total	$77,345,672	$1,253,676,150	$1,331,021,822

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

[2]This amount includes payments in lieu of taxes of approximately $1,383,000 for the Game and Fish Department from special funds and $50,000 for the adjutant general from the general fund. This amount does not include payments in lieu of taxes of approximately $408,000 estimated to be paid by Workforce Safety and Insurance in the 2019-21 biennium under the agency's continuing appropriation for building maintenance.

LEASE PAYMENTS

The executive budget recommendation includes a total of $9,005,839 from the general fund for 2019-21 biennium lease payments for repayment of notes issued to finance capital projects. Funding is included in the budgets for the North Dakota University System, Department of Corrections and Rehabilitation, Adjutant General, State Department of Health, Office of Management and Budget, Attorney General, State Historical Society, Parks and Recreation Department, branch research centers, Main Research Center, and Veterans' Home.

North Dakota Century Code Section 54-17.2-23 limits the amount of lease payments paid from the general fund for a biennium to 10 percent of an equivalent one-cent sales tax. This maximum for the 2019-21 biennium is estimated to be $47,621,000 based on projected sales, use, and motor vehicle excise tax collections included in the 2019-21 executive budget.

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

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

MAJOR NEW CAPITAL CONSTRUCTION EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2019-21 BIENNIUM COMPARED TO 2017-19 LEGISLATIVE APPROPRIATIONS

			2019-21 Executive Budget Recommendations			2017-19 Legislative Appropriations		
No.	Agency or Institution	Project	General Fund	Special Funds	Bonding	General Fund	Special Funds	Bonding
230	University of North Dakota	Athletics High Performance Center - Phase II		$35,000,000				
		Memorial Union (revenue bonds)			$80,000,000			
235	North Dakota State University	Barry Hall space repurpose and renovation		3,000,000				
		Dunbar Hall ($25,675,000 from strategic investment and improvements fund (SIIF))		51,350,000				
		Indoor practice facility		37,200,000				
		Softball indoor facility		2,000,000				
		University Village replacement - Phase II (revenue bonds)			37,600,000			
238	North Dakota State College of Science	Workforce Career Academy		30,000,000				
242	Valley City State University	McCarthy Hall renovation ($2,900,000 from SIIF)		3,900,000				
243	Dakota College at Bottineau	Dining facility renovation (revenue bonds)			2,500,000			
325	Department of Human Services	Boiler and plant building at State Hospital (SIIF)		1,931,000				
		New 80-bed State Hospital	$35,000,000					
504	Highway Patrol	Addition to indoor gun range (SIIF)		1,220,000				
530	Department of Corrections and Rehabilitation	Roughrider Industries building at James River Correctional Center		1,140,000				
540	Adjutant General	Camp Grafton South expansion project	15,000,000					
		New federal construction - Estimated		5,700,000				
720	Game and Fish Department	Land acquisitions		800,000				
750	Parks and Recreation Department	International Peace Garden (SIIF)		5,000,000				
		De Trobriand Bay Marina electrical (SIIF)		295,000				
		Fort Stevenson State Park facility renovation (SIIF)		340,000				
		Grahams Island State Park facility renovation (SIIF)		80,000				
		Icelandic State Park asphalt road and parking repair (SIIF)		340,000				
		Pembina Gorge recreation area campground development (SIIF)		150,000				
		Rental cabins in four state parks (two cabins per park) (SIIF)		320,000				
		Sully Creek State Park campsite electrical service (SIIF)		230,000				
801	Department of Transportation	Land and buildings		5,300,000				
Total 2019-21 executive budget recommendation			$50,000,000	$185,296,000	$120,100,000			
Total 2017-19 legislative appropriations						$0 [1]	$189,184,000 [1]	$72,005,000 [1]

[1] Represents the total original appropriation for major new capital construction provided by the 2017 Legislative Assembly. Please refer to the Legislative Council's *State Budget Actions for the 2017-19 Biennium* report for details regarding the 2017–19 appropriations. The 2017 Legislative Assembly authorized the State Board of Higher Education to issue $72 million of revenue bonds.

EXTRAORDINARY REPAIRS EXECUTIVE BUDGET RECOMMENDATIONS FOR THE 2019-21 BIENNIUM

The executive budget recommendation includes the following extraordinary repairs:

Agency or Institution	2019-21 Executive Budget Recommendations		
	General Fund	Special Funds	Total
Office of Management and Budget (110)			
Parking lot repairs on the Capitol grounds		$600,000	$600,000
Replace electrical transformer on the Capitol grounds		400,000	400,000
Refurbish and repair doors and entrances to the Capitol building		200,000	200,000
Replace cooling equipment at the State Library building		120,000	120,000
Replace cooling equipment in the judicial wing		80,000	80,000
Other unspecified projects		500,000	500,000
Total - Office of Management and Budget		$1,900,000	$1,900,000
Judicial branch (180)			
Supreme Court law library renovation project	$960,000		$960,000
Total - Judicial branch	$960,000		$960,000
Bismarck State College (227)			
Building exterior	$317,673		$317,673
Utilities and infrastructure	100,000		100,000
Total - Bismarck State College	$417,673		$417,673
Lake Region State College (228)			
Miscellaneous projects	$155,367		$155,367
Total - Lake Region State College	$155,367		$155,367
Williston State College (229)			
Miscellaneous projects	$197,801		$197,801
Total - Williston State College	$197,801		$197,801
University of North Dakota (230)			
Building exterior	$500,000		$500,000
Interior finishes	900,000		900,000
Mechanical and electrical upgrades	600,000		600,000
Miscellaneous projects	50,000		50,000
Paving and lighting	1,461,566		1,461,566
Structural repairs	400,000		400,000
Utilities and infrastructure	500,000		500,000
Total - University of North Dakota	$4,411,566		$4,411,566
North Dakota State University (235)			
Campus repairs and projects	$2,732,244		$2,732,244
Total - North Dakota State University	$2,732,244		$2,732,244

Agency or Institution	2019-21 Executive Budget Recommendations General Fund	Special Funds	Total
North Dakota State College of Science (238)			
Miscellaneous projects	$1,012,379		$1,012,379
Total - North Dakota State College of Science	$1,012,379		$1,012,379
Dickinson State University (239)			
Campus repairs and projects	$409,078		$409,078
Total - Dickinson State University	$409,078		$409,078
Mayville State University (240)			
Campus repairs and projects	$358,992		$358,992
Total - Mayville State University	$358,992		$358,992
Minot State University (241)			
Campus repairs and projects	$899,620		$899,620
Total - Minot State University	$899,620		$899,620
Valley City State University (242)			
Campus repairs and projects	$408,319		$408,319
Total - Valley City State University	$408,319		$408,319
Dakota College at Bottineau (243)			
Miscellaneous projects	$114,007		$114,007
Total - Dakota College at Bottineau	$114,007		$114,007
Forest Service (244)			
Interior finishes - Lisbon office	$62,480		$62,480
Total - Forest Service	$62,480		$62,480
School for the Deaf (252)			
Extraordinary repair allocation		$158,678	$158,678
Master facility plan designated repairs		250,000	250,000
Total - School for the Deaf		$408,678	$408,678
North Dakota Vision Services - School for the Blind (253)			
Base budget extraordinary repairs		$39,192	$39,192
Repair roof in the west wing		39,000	39,000
Garage door replacement		16,000	16,000
Glycol, carpeting, and sprinkler heads		18,500	18,500
Gym floor replacement		42,000	42,000
Daily living skills area remodeling		25,000	25,000
South wing second floor bathroom remodel		120,000	120,000
Total - North Dakota Vision Services - School for the Blind		$299,692	$299,692

Agency or Institution	2019-21 Executive Budget Recommendations General Fund	Special Funds	Total
State Department of Health (301)			
Connect generator to laboratory 310		$10,000	$10,000
Install unified reverse osmosis systems	$25,000		25,000
Install gutter covers		4,000	4,000
Install new humidifier - South building		16,000	16,000
Install new tile flooring in laboratories		30,000	30,000
Install pallet racking for storage		5,000	5,000
Install underground sprinklers		16,009	16,009
Repair and paint water-damaged walls - Respiratory fit testing room	5,650		5,650
Repair driveway and parking lots	25,000		25,000
Restripe two parking lots		8,000	8,000
Replace roof - North wing (strategic investment and improvements fund)		400,000	400,000
Replace laboratory bench top		8,000	8,000
Ventilation systems air handling unit replacement - South wing (strategic investment and improvements fund)		820,000	820,000
Total - State Department of Health	$55,650	$1,317,009	$1,372,659
Department of Environmental Quality (303)			
Flush, repair control valves, and refill hot water heating system	$1,000		$1,000
Install HVAC ductwork - East mechanical room		$2,000	2,000
Install new carpet office area		10,000	10,000
Install new weather stripping on exterior door		1,000	1,000
Repair Environmental Training Center sign		1,000	1,000
Repair sidewalk		2,000	2,000
Replace deteriorating doors		2,000	2,000
Replace laboratory window	2,866	134	3,000
Replace light fixtures		2,000	2,000
Replace northwest atrium window	3,000		3,000
Total - Department of Environmental Quality	$6,866	$20,134	$27,000
Department of Human Services (325)			
Roof replacement - Southeast Human Service Center	$80,000		$80,000
Various projects - State Hospital	816,699		816,699
Heating plant foundation repair - State Hospital	415,000		415,000
Roof replacement - State Hospital (strategic investment and improvements fund)		$562,500	562,500
Various projects - Life Skills and Transition Center (strategic investment and improvements fund)	593,489	595,595	1,189,084
Powerhouse cooling tower - Life Skills and Transition Center	175,830		175,830
Demolish buildings - Life Skills and Transition Center (strategic investment and improvements fund)		915,570	915,570
Remodel bathrooms - Life Skills and Transition Center (strategic investment and improvements fund)		990,000	990,000
Remodel Maplewood kitchens - Life Skills and Transition Center (strategic investment and improvements fund)		576,000	576,000
Total - Department of Human Services	$2,081,018	$3,639,665	$5,720,683

Agency or Institution	2019-21 Executive Budget Recommendations General Fund	Special Funds	Total
Department of Corrections and Rehabilitation (530)			
James River Correctional Center extraordinary repairs	$386,000		$386,000
Missouri River Correctional Center renovations		$2,443,077	2,443,077
State Penitentiary extraordinary repairs	118,250	300,000	418,250
Sunny Farm barn repainting		15,000	15,000
Youth Correctional Center extraordinary repairs	372,000		372,000
Department of Corrections and Rehabilitation extraordinary repairs		141,000	141,000
Total - Department of Corrections and Rehabilitation	$876,250	$2,899,077	$3,775,327
North Dakota State University Main Research Center (640)			
Building exterior repair	$268,093		$268,093
Interior repair	268,093		268,093
Mechanical and electrical repair	268,093		268,093
Paving and area lighting	134,046		134,046
Structural repair	134,047		134,047
Utilities and infrastructure	268,093		268,093
Deferred maintenance (strategic investment and improvements fund)		$1,440,465	1,440,465
Total - North Dakota State University Main Research Center	$1,340,465	$1,440,465	$2,780,930
State Historical Society (701)			
Miscellaneous repairs and maintenance	$500,000	$550,000	$1,050,000
Total - State Historical Society	$500,000	$550,000	$1,050,000
Game and Fish Department (720)			
Department facility repairs		$1,029,721	$1,029,721
Fishing area projects		1,385,000	1,385,000
Grants, gifts, and donations projects		50,000	50,000
Lonetree improvements		20,000	20,000
Lewis and Clark shooting range		20,000	20,000
Wildlife management area improvements		653,170	653,170
Total - Game and Fish Department		$3,157,891	$3,157,891
Parks and Recreation Department (750)			
Departmentwide	$947,794	$194,126	$1,141,920
Additional **one-time** repairs and maintenance		634,126	634,126
Total - Parks and Recreation Department	$947,794	$828,252	$1,776,046
Total 2019-21 executive budget recommendation - Extraordinary repairs	$17,947,569	$16,460,863	$34,408,432

CAPITAL CONSTRUCTION SCHEDULE OF LEASE PAYMENTS AND OUTSTANDING PRINCIPAL BALANCES

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019	Outstanding Principal Balance June 30, 2021
				2015-17 Actual Payments	2017-19 Estimated Payments	2019-21 Estimated Payments			
1997 Legislative Assembly approved:		$10,782,500[1,2]	$9,750,000	$1,963,962	$1,203,078	$0	$2,340,000	$0	$0
North Dakota State College of Science - Bute Gym remodeling ($1,700,000)	2006 Series A State Building Authority refunding revenue bonds (4.4% to 5.125% - 20-year bonds) - Used to refund 1998 Series A and 2000 Series A (2020)								
Minot State University - Moore Hall renovation ($4,000,000)									
Department of Corrections and Rehabilitation - Youth Correctional Center gymnasium renovation ($1,400,000)									
1999 Legislative Assembly approved:									
NDSU - Animal facility ($2,207,500)									
Youth Correctional Center - Pine Cottage ($1,475,000)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019	Outstanding Principal Balance June 30, 2021
				2015-17 Actual Payments	2017-19 Estimated Payments	2019-21 Estimated Payments			
1999 Legislative Assembly approved:									
Williston State College - Health and Wellness Center ($3,000,000)	2017 Series A Bonds refunded the 2006 Series B State Building Authority revenue refunding bonds (4.15% - 16-year bonds) - Used to refund a portion of the 2001 Series A State Building Authority revenue bonds (2022) - Remaining 2001 Series A State Building Authority revenue bonds (4.13% to 4.35%) (2010)	10,850,000[3]	9,770,000	2,110,868	0	0	5,260,000	0	0
2001 Legislative Assembly approved:									
Minot State University - Old Main renovation ($7,850,000)									
2001 Legislative Assembly approved:									
State Department of Health - Laboratory addition ($2,700,000)	2010 Series A and 2010 Series B bonds refunded the 2002 Series A State Building Authority revenue bonds (2% to 4% - 12-year bonds) (2022)	5,002,000[4]	6,035,000	919,274	919,562	932,445	2,470,000	1,710,000	885,000
Job Service North Dakota - Bismarck service delivery office ($2,302,000)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019	Outstanding Principal Balance June 30, 2021
				2015-17 Actual Payments	2017-19 Estimated Payments	2019-21 Estimated Payments			
2003 Legislative Assembly approved:									
State Department of Health - Morgue and storage annex ($960,000)	2012 Series A facilities improvement refunding bonds used to refund the 2003 Series B State Building Authority revenue bonds (.20% to 2% - 10-year bonds) (2021)	11,645,237[5]	13,080,000[6]	1,803,063	1,813,540	1,789,070	4,250,000	2,610,000	900,000
Department of Corrections and Rehabilitation - James River Correctional Center food service/laundry renovations - Phase II ($2,662,890)									
Dickinson State University - Murphy Hall - Phase I addition ($5,882,047)									
Mayville State University - Steamline replacement - Phase II ($1,355,000)									
Valley City State University - Graichen Gymnasium elevator and emergency exits ($785,300)									
2005 Legislative Assembly approved:									
Office of Management and Budget - Fire suppression system ($3,155,000)	2017 Series A refunded 2005 Series A State Building Authority revenue bonds (4.50% - 20-year bonds) (2025)	28,848,248	37,955,000[7]	4,897,570	8,360,785	6,864,522	22,190,000	14,575,000	8,365,000
Attorney General's office - Crime Laboratory addition and renovation ($3,632,691)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments			Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019	Outstanding Principal Balance June 30, 2021
				2015-17 Actual Payments	2017-19 Estimated Payments	2019-21 Estimated Payments			
NDSU - Hazardous material handling and storage facility ($3,500,000)									
North Dakota State College of Science - Electrical distribution ($736,000)									
Dickinson State College - Murphy Hall ($4,100,557)									
Minot State University - Bottineau - Thatcher Hall addition ($2,500,000)									
Department of Corrections and Rehabilitation - James River Correctional Center ET Building improvements ($980,000)									
Department of Corrections and Rehabilitation - James River Correctional Center programs building code improvements ($584,000)									
North Central Research Center - Agronomy laboratory and greenhouse ($440,000)									
Central Grasslands Research Center - Office addition ($270,000)									

Project	Bond Issue (Payoff Year)	Cost of Project	Amount Financed	Lease Payments 2015-17 Actual Payments	Lease Payments 2017-19 Estimated Payments	Lease Payments 2019-21 Estimated Payments	Outstanding Principal Balance June 30, 2017	Outstanding Principal Balance June 30, 2019	Outstanding Principal Balance June 30, 2021
Main Research Center - Greenhouse complex ($2,000,000)									
State Historical Society - Chateau de Mores Interpretive Center ($1,100,000)									
State Historical Society and Heritage Center - Research collections expansion ($5,500,000)									
Parks and Recreation Department - Turtle River State Park administrative office ($350,000)									
2009 Legislative Assembly approved:									
Veterans' Home ($2,355,000) - Series A	2010 Series A taxable facilities improvement bonds (recovery zone economic development bonds) (3.5% to 6.25% - 20-year bonds) (2030)	2,355,000	2,355,000	281,835	405,733	490,885[8]	2,225,000[9]	1,960,000	1,685,000
Veterans' Home - ($630,000) - Series B	2010 Series B State Building Authority facilities improvement bonds (2% to 4% - 12-year bonds) - Used to fund a portion of the Veterans' Home project and to refund a portion of the 2002 Series A bond - Job Service North Dakota and State Department of Health (2022)	630,000	630,000	73,680	0	0	0	0	0
Total		$98,772,815	$106,665,000	$13,334,227	$12,702,698	$10,076,922	$38,735,000	$20,855,000	$11,835,000
Breakdown of payments									
General fund				$12,335,770[10]	$11,655,816[10]	$9,019,762[10]			
Agency contributions				998,457	1,046,882	1,057,160			
Total				$13,334,227	$12,702,698	$10,076,922			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[8]2017-19 estimated bond payments for Veterans' Home Series A bond payments total $405,733 and that number should be included in 2019 House Bill No. 1014. In addition, a federal bond subsidy of $90,155 is paid to the trustee, which is the Bank of North Dakota.

[9]Interest only payments are made on the Veterans' Home Series A bonds until the Veterans' Home Series B bonds are paid off. The first principal payment on the Series A bonds was made on December 1, 2016.

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

SALES TAX LIMITATION - BOND PAYMENTS

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

Biennium	Total Payments	Other Funds	General Fund	10 Percent of the Equivalent of 1 Percent	Estimated Excess General Fund Resources Available for Bond Payments
2017-19	$12,702,698*	$1,046,882	$11,655,816	$42,095,500	$30,439,684
2019-21	$10,076,922*	$1,057,160	$9,019,762	$42,095,500	$33,075,738
2021-23	$7,651,211*	$840,392	$6,810,819	$42,095,500	$35,284,681
2023-25	$3,041,207*	$499,317	$2,541,890	$42,095,500	$39,553,610

*The future biennium bond payments do not reflect any other future bond issues that may be authorized by future Legislative Assemblies. During the 2017-19 biennium, the 2006 Series A bond issue was paid off.

SECTION I - STATE EMPLOYEES

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STATE EMPLOYEES - SUMMARY OF KEY RECOMMENDATIONS

SALARY INCREASES

The 2019-21 executive budget recommendation provides state employee salary increases of up to 4 percent effective July 1, 2019, and 2 percent effective July 1, 2020. For agencies able to identify long-term salary savings, an additional 2 percent salary increase is authorized effective July 1, 2020. The executive budget includes funding of $112.1 million, of which $48.6 million is from the general fund, for the cost of the salary increase proposal.

SALARY UNDERFUNDING

The 2019-21 executive budget recommendation underfunds general fund salary budgets for eight agencies totaling $8.7 million, of which $7.5 million is from the general fund and $1.2 million is from other funds. Agencies with underfunded salary budgets include:

Agency	Total Funds
101 - Governor's office	$86,305
110 - Office of Management and Budget	1,343,894
117 - State Auditor	725,231
125 - Attorney General	207,734
127 - Tax Commissioner	772,252
325 - Department of Human Services	4,694,730
401 - Insurance Commissioner	280,957
408 - Public Service Commission	291,674
720 - Game and Fish Department	342,077
Total	$8,744,854

UNFUNDED POSITIONS

The 2019-21 executive budget recommendation provides for a total of 18.80 FTE positions to be unfunded in four agencies. Agencies with positions unfunded include the Legislative Council (1.00 FTE position), Veterans' Home (6.00 FTE positions), Job Service North Dakota (5.80 FTE positions) and Workforce Safety and Insurance (6.00 FTE positions).

ACCRUED LEAVE PAYOUTS

The 2019-21 executive budget recommendation includes funding for accrued leave payouts in eight agencies totaling $1.8 million, of which approximately $700,000 is from the general fund and $1.1 million is from other funds. This funding is available for accrued leave payouts to eligible employees upon retirement or termination of employment.

HIGHER EDUCATION

The 2019-21 executive recommendation provides funding for 6,609.87 FTE positions, a decrease of 157.89 FTE positions from the 2017-19 biennium authorized level of 6,767.76 FTE positions.

EXECUTIVE BRANCH ELECTED OFFICIALS

The executive budget recommendation provides funding for executive branch elected officials' salary increases equal to 4 percent of salaries effective July 1, 2019, and 2 percent of salaries effective July 1, 2020. Statutory changes necessary to adjust elected officials' salaries are recommended to be included in the respective elected officials' appropriation bills.

JUDICIAL BRANCH

The judicial branch budget request includes funding to provide district court judges' salary increases of 2 percent of salaries effective July 1, 2019, and 2 percent of salaries effective July 1, 2020. Salary increases for Supreme Court justices are also 2 percent of salaries effective July 1, 2019, and 2 percent of salaries effective July 1, 2020. Salary increases for other employees of the judicial branch are included at the same level as provided for other state employees, or 4 percent of salaries effective July 1, 2019, and 2 percent of salaries effective July 1, 2020. Additional increases may be provided to other employees of the judicial branch pursuant to the judicial branch salary schedule as requested by the judicial branch.

HEALTH INSURANCE

The executive budget recommendation continues funding for the cost of health insurance premiums for state employees. The executive budget provides state employees three options for state employee health insurance.

1. Continue the existing health insurance plan with no changes to deductibles or coinsurance and providing for health insurance premiums of $1,426.74 per month, of which state employees will be responsible for paying $28.48 per month, or 2 percent of the total monthly premium. The monthly premium of $1,426.74 is an increase of $185.92, or 15 percent, compared to the 2017-19 biennium premium rate of $1,240.82 per month.
2. Continue the high deductible health plan with state funded contributions to a health savings account (HSA). The recommendation includes state contributions to the HSA of $181 per month and annual contributions of $500 in January 2020 and January 2021 to incentivize participation in the high deductible plan during the 2019-21 biennium.

3. A new state-paid health insurance plan. The new plan is a nongrandfathered plan offering additional benefits but higher deductibles and coinsurance compared to the existing health insurance plan. The plan would include a state paid premium of $1,398.26 per month, an increase of $157.44 or 12.7 percent, compared to the 2017-19 biennium premium rate of $1,240.82 per month.

A recent history of monthly health insurance premiums provided for each employee is listed below.

Biennium	Monthly Premium	Percentage Change from Previous Biennium
2001-03	$409	16.9%
2003-05	$489	19.6%
2005-07	$554	13.3%
2007-09	$658	18.8%
2009-11	$826	25.5%
2011-13	$887	7.4%
2013-15	$982	10.7%
2015-17	$1,130	15.1%
2017-19	$1,241	9.8%
2019-21 executive recommendation	$1,398	12.7%

The 2017 Legislative Assembly approved using Public Employees Retirement System health reserves to pay an additional $27.31 of premiums per contract, per month, which reduced the overall increase from the 2015-17 biennium to the 2017-19 biennium by 2.4 percent. The Legislative Assembly approved using approximately $15.1 million of the estimated $35.0 million in health insurance reserve funds to reduce the premium rate increase. The executive budget is not recommending using reserves to reduce the health insurance premium for the 2019-21 biennium.

EMPLOYEE ASSISTANCE PROGRAM

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

LIFE INSURANCE

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

UNEMPLOYMENT INSURANCE

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

RETIREMENT

The 2019-21 executive budget recommendation includes increasing contributions to the retirement plan by 2 percent effective January 1, 2020, 1 percent paid by the employee and 1 percent paid by the state, along with a one-time transfer of $265 million from the strategic investment and improvements fund (SIIF) to the public employees retirement fund. The total retirement contribution recommended is 16.12 percent, including 8.12 percent from state contributions and 8 percent from employee contributions. Of the 8 percent employee contribution, the state would continue to pay 4 percent of the employee contribution, resulting in a total state contribution of 12.12 percent.

TOTAL COMPENSATION CHANGES COST

The schedule below provides the total cost of major compensation changes recommended in the 2019-21 executive budget.

	General Fund	Other Funds	Total
Salary increases of 4 percent, effective July 1, 2019, and 2 percent, effective July 1, 2020	$48,565,636	$63,559,701	$112,125,337
Health insurance premium increases	25,372,606	33,206,097	58,578,703
Retirement plan increase - employer	3,907,740	5,114,208	9,021,948
One-time transfer to the retirement plan (SIIF)		265,000,000	265,000,000
Total	$77,845,982	$366,880,006	$444,725,988

FULL-TIME EQUIVALENT POSITIONS

The 2019-21 executive budget includes a total of 15,673.07 FTE positions, a decrease of 174.31 FTE positions from the 2017-19 authorized level of 15,847.38 FTE positions, including a decrease of 157.89 FTE positions in higher education and a decrease of 16.42 FTE positions in all other state agencies.

The executive budget added 230.30 FTE new positions at a cost of $33,691,092, of which $27,635,648 is from the general fund and removed 240.70 FTE positions, saving $32,177,802, of which $12,298,603 is from the general fund.

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

Agency Increases	2017-19 Authorized FTE Positions	2019-21 Executive Budget	Increase
112 - Information Technology Department	344.30	459.50	115.20
530 - Department of Corrections and Rehabilitation	845.29	938.59	93.30
270 - Department of Career and Technical Education	24.50	53.80	29.30

Agency Decreases	2017-19 Authorized FTE Positions	2019-21 Executive Budget	(Decrease)
325 - Department of Human Services	2,162.23	2,070.73	(91.50)
801 - Department of Transportation	1,047	980.00	(67.00)
380 - Job Service North Dakota	181.61	156.61	(25.00)

INFORMATION TECHNOLOGY UNIFICATION

The 2019-21 executive budget recommendation includes a shared service unification of information technology resources and personnel, including the transfer of 145.5 information technology FTE positions from 14 agencies to the Information Technology Department as follows:

Agency	FTE Transferred
110 - Office of Management and Budget	4.0
226 - Department of Trust Lands	2.0
301 - State Department of Health	4.5
303 - Department of Environmental Quality	1.0
325 - Department of Human Services	48.0
380 - Job Service North Dakota	16.0
485 - Workforce Safety and Insurance	12.0
504 - Highway Patrol	2.0
530 - Department of Corrections and Rehabilitation	4.0
540 - Adjutant General - Department of Emergency Services	6.0
601 - Department of Commerce	1.0
720 - Game and Fish Department	3.0
750 - Parks and Recreation Department	1.0
801 - Department of Transportation	41.0
Total	145.5

ANALYSIS OF NEW FTE POSITIONS OR REDUCTIONS IN EXISTING FTE POSITIONS RECOMMENDED IN THE 2019-21 EXECUTIVE BUDGET

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			GENERAL GOVERNMENT				
18.00	18.00	0.00	**101 - Governor's office**				18.00
32.00	32.00	0.00	**108 - Secretary of State**				31.00
117.00	108.00	(9.00)	**110 - Office of Management and Budget**				112.00
			Removes:				
			(1.00) FTE system mechanic III position	($191,942)		($191,942)	
			(1.00) FTE system mechanic II position	(138,190)		(138,190)	
			(3.00) FTE custodian positions	(230,050)		(230,050)	
			(5.00)	($560,182)	$0	($560,182)	
			Transfers to the Information Technology Department:				
			(1.00) FTE information technology program administrator position	($251,454)		($251,454)	
			(2.00) FTE computer networking specialist positions	(360,772)		(360,772)	
			(1.00) FTE business analyst position	(181,321)		(181,321)	
			(4.00)	($793,547)	$0	($793,547)	
			Total:				
			(9.00)	($1,353,729)	$0	($1,353,729)	
344.30	459.50	115.20	**112 - Information Technology Department**				376.30
			Removes:				
			(17.00) FTE undesignated positions	($370,971)	($3,306,449)	($3,677,420)	
			Adds:				
			17.00 FTE cybersecurity positions	$4,195,690	$0	$4,195,690	
			Transfers for the information technology unification initiative:				
			145.50 FTE information technology positions from 14 agencies	$0	$28,037,933	$28,037,933	
			Transfers the Center of Distance Education to the Department of Career and Technical Education:				
			(1.00) FTE administrative assistant II position	($149,792)		($149,792)	
			(1.00) FTE administrative officer II position	(145,981)		(145,981)	
			(1.00) FTE business manager I position	(161,649)		(161,649)	
			(2.00) FTE customer technical support specialist III positions	(288,198)		(288,198)	
			(1.00) FTE director of education position	(188,852)		(188,852)	
			(1.00) FTE director of the Center for Distance Education position	(309,290)		(309,290)	
			(1.00) FTE guidance counselor I position	(163,743)		(163,743)	
			(1.00) FTE human resources officer I position	(174,019)		(174,019)	
			(1.00) FTE office assistant III position	(103,942)		(103,942)	
			(1.00) FTE programmer analyst I position	(137,428)		(137,428)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(2.00) FTE programmer analyst II positions	(418,444)		(418,444)	
			(5.00) FTE teacher I positions	(787,216)		(787,216)	
			(11.80) FTE teacher II positions	(1,940,734)		(1,940,734)	
			(29.80)	($4,969,288)	$0	($4,969,288)	
			Transfers the Educational Technology Council to the Department of Career and Technical Education:				
			(0.50) FTE administrative assistant position	($76,556)	$0	($76,556)	
			Total:				
			115.20	($1,221,125)	$24,731,484	$23,510,359	
56.00	56.00	0.00	**117 - State Auditor**				66.00
			Removes:				
			(2.00) FTE undesignated positions in the Local Government Audit Division and the State Audit Division and underfunds salaries by $725,231, of which $725,229 is from the general fund	$0	$0	$0	
			Adds:				
			1.00 FTE auditor III in the Local Government Audit Division		$174,127	$174,127	
			1.00 FTE auditor I in the Local Government Audit Division		162,615	162,615	
			2.00	$0	$336,742	$336,742	
			Total:				
			0.00	$0	$336,742	$336,742	
7.00	7.00	0.00	**120 - State Treasurer**				7.00
237.00	237.00	0.00	**125 - Attorney General**				232.00
			Removes:				
			(3.00) FTE undesignated positions	($260,309)	($171,105)	($431,414)	
			(2.00) FTE assistant Attorney General position	(255,460)	(101,294)	(356,754)	
			(1.00) FTE criminal records analyst position	(125,320)		(125,320)	
			(6.00)	($641,089)	($272,399)	($913,488)	
			Adds:				
			5.00 FTE Medicaid fraud control unit positions	$92,986	$836,880	$929,866	
			1.00 FTE Fire Marshall Administrative Assistant II position		128,716	128,716	
			6.00	$92,986	$965,596	$1,058,582	
			Total:				
			0.00	($548,103)	$693,197	$145,094	
133.00	123.00	(10.00)	**127 - Tax Department**				127.00
			Removes:				

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(10.00) FTE unfunded vacant positions, including 2 office assistant positions, 1 account technician, 2 auditor positions, and 5 unspecified positions	$0	$0	$0 [2]	
5.00	5.00	0.00	**140 - Office of Administrative Hearings**				5.00
36.00	36.00	0.00	**160 - Legislative Council**				36.00
355.50	363.00	7.50	**180 - Judicial branch**				363.00
			Adds:				
			2.00 FTE deputy clerk positions	$309,117		$309,117	
			2.00 FTE law clerk positions	378,067		378,067	
			1.00 FTE court recorder position	154,672		154,672	
			1.00 FTE judge position	413,932		413,932	
			1.00 FTE court reporter position	181,005		181,005	
			0.50 FTE Judicial Conduct Commission paralegal position	22,715	14,111	36,826	
			7.50	$1,459,508	$14,111	$1,473,619	
40.00	40.00	0.00	**188 - Commission on Legal Counsel for Indigents**				38.00
19.00	20.00	1.00	**190 - Retirement and Investment Office**				20.00
			Adds:				
			1.00 FTE investment analyst position	$0	$294,996	$294,996	
34.50	33.50	(1.00)	**192 - Public Employees Retirement System**				36.50
			Removes:				
			(1.00) FTE undesignated position	$0	($138,796)	($138,796)	
1,434.30	1,538.00	103.70	**TOTAL GENERAL GOVERNMENT**	($1,663,449)	$25,931,734	$24,268,285	1,467.80
			OTHER EDUCATION				
91.75	88.75	(3.00)	**201 - Department of Public Instruction**				88.75
			Removes:				
			(1.00) FTE assistant superintendent position	($272,692)		($272,692)	
			(1.00) FTE computer network specialist position	(133,574)		(133,574)	
			(1.00) FTE education program administrator position	(49,784)	($103,046)	(152,830)	
			(1.00) FTE administrative assistant III position	(127,880)		(127,880)	
			(4.00)	($583,930)	($103,046)	($686,976)	
			Adds:				
			1.00 FTE division manager position	$272,692	$0	$272,692	
			Total:				
			(3.00)	($311,238)	($103,046)	($414,284)	
31.00	28.00	(3.00)	**226 - Department of Trust Lands**				29.00
			Adds:				

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			1.00 FTE administrative assistant I position		$123,361	$123,361	
			1.00 FTE attorney position		248,461	248,461	
			2.00	$0	$371,822	$371,822	
			Removes:				
			(1.00) FTE administrative assistant II position		($142,446)	($142,446)	
			(1.00) FTE audit technician		(146,417)	(146,417)	
			(1.00) FTE administrative officer III position		0	0 [2]	
			(3.00)	$0	($288,863)	($288,863)	
			Transfers to the Information Technology Department:				
			(1.00) FTE programmer analyst II position		($174,653)	($174,653)	
			(1.00) FTE programmer analyst III position		(191,280)	(191,280)	
			(2.00)	$0	($365,933)	($365,933)	
			Total:				
			(3.00)	$0	($282,974)	($282,974)	
28.75	27.75	(1.00)	**250 - State Library**				26.75
			Removes:				
			(2.00) FTE library associate I positions	($280,915)	$0	($280,915)	
			Adds:				
			1.00 FTE librarian III position	$181,278	$0	$181,278	
			Total:				
			(1.00)	($99,637)	$0	($99,637)	
45.61	43.61	(2.00)	**252 - School for the Deaf**				42.61
			Removes:				
			(2.00) FTE undesignated positions	($317,654)	$0	($317,654)	
28.50	27.90	(0.60)	**253 - North Dakota Vision Services - School for the Blind**				27.00
			Removes:				
			(0.60) FTE systems administrator I position	($73,069)	($31,633)	($104,702)	
24.50	53.80	29.30	**270 - State Board for Career and Technical Education**				23.50
			Removes:				
			(1.00) FTE assistant program supervisor position	($159,737)	$0	($159,737)	
			Transfers from the Information Technology Department:				
			29.80 FTE Center of Distance Education positions	$4,969,288		4,969,288	
			0.50 FTE Education Technology Council position	$76,556		76,556	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			30.30	$5,045,844	$0	$5,045,844	
			Total:				
			29.30	$4,886,107	$0	$4,886,107	
250.11	269.81	19.70	**TOTAL OTHER EDUCATION**	$4,084,509	($417,653)	$3,666,856	237.61
			HEALTH AND WELFARE				
364.00	199.50	(164.50)	**301 - State Department of Health**				206.00
			Removes:				
			(0.50) FTE account technician position - Fiscal and Operations	($24,617)	($21,831)	($46,448)	
			(1.00) FTE office assistant III position - Fiscal and Operations		(97,631)	(97,631)	
			(1.00) FTE epidemiologist II position - Medical Services	(37,294)	(111,882)	(149,176)	
			(1.00) FTE administrative assistant I position - Health Resources	(15,368)	(94,400)	(109,768)	
			(1.00) FTE health care facility surveyor II position - Health Resources	(89,121)	(59,364)	(148,485)	
			(1.00) FTE administrative assistant I position - Healthy and Safe Communities				
			(0.50) FTE public health nurse consultant II position - Healthy and Safe Communities				
			(0.50) FTE public health nurse consultant II position - Healthy and Safe Communities				
			(1.00) FTE office assistant III position - Emergency Preparedness and Response	(54,192)	(54,192)	(108,384)	
			(7.50)	($220,592)	($439,300)	($659,892)	
			Adds:				
			1.00 FTE food and lodging environmental health position - Health Resources	$159,737	$0	$159,737	
			Transfers to the Department of Environmental Quality:				
			(152.50) FTE positions to the Department of Environmental Quality	($8,030,999)	($19,009,545)	($27,040,544)	
			Transfers to the Department of Human Services:				
			(1.00) FTE health/human services program administrator III position - Healthy and Safe Communities	($157,723)		($157,723)	
			Transfers to the Information Technology Department:				
			(1.00) FTE data processing coordinator III position - Medical Services		($170,356)	($170,356)	
			(1.00) FTE data processing coordinator III position - Health Resources	(27,727)	(126,312)	(154,039)	
			(1.00) FTE data processing coordinator III position - Health Resources	(20,875)	(153,079)	(173,954)	
			(1.00) FTE data processing coordinator III position - Healthy and Safe Communities	(103,985)	(92,214)	(196,199)	
			(0.50) FTE undesignated position - Fiscal and Operations				
			(4.50)	($152,587)	($541,961)	($694,548)	
			Total:				
			(164.50)	($8,402,164)	($19,990,806)	($28,392,970)	
0.00	160.50	160.50	**303 - Department of Environmental Quality**				
			Transfers from the State Department of Health:				
			152.50 FTE positions transferred from the State Department of Health	$8,030,999	$19,009,545	$27,040,544	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			Removes:				
			(1.00) FTE administrative assistant I position	($46,276)	($75,504)	($121,780)	
			(1.00) FTE office assistant II position	(32,870)	(76,696)	(109,566)	
			(1.00) FTE legal assistant I position	(134,184)		(134,184)	
			(3.00)	($213,330)	($152,200)	($365,530)	
			Adds:				
			1.00 FTE environmental sciences administrator I position		$193,897	$193,897	
			1.00 FTE environmental scientist II position		142,583	142,583	
			10.00 FTE pending classification related to the supremacy of federal programs	889,640		889,640	
			12.00	$889,640	$336,480	$1,226,120	
			Transfers to the Information Technology Department:				
			(1.00) FTE computer and network specialist III position	($41,485)	($165,938)	($207,423)	
			Total:				
			160.50	$8,665,824	$19,027,887	$27,693,711	
120.72	120.72	0.00	**313 - Veterans' Home**				114.72
4.00	4.00	0.00	**316 - Indian Affairs Commission**				4.00
7.00	7.00	0.00	**321 - Department of Veterans' Affairs**				9.00
2,162.23 [3]	2,070.73	(91.50)	**325 - Department of Human Services**				2,123.23
			Removes:				
			(1.00) FTE direct care associate II position	($105,951)		($105,951)	
			(0.35) FTE registered nurse III position	(43,329)	(47,015)	(90,344)	
			(0.60) FTE direct care associate III position	(10,305)	(65,243)	(75,548)	
			(0.50) FTE cook I position	(65,211)	(2,211)	(67,423)	
			(1.00) FTE direct care associate III position	(100,621)		(100,621)	
			(0.80) FTE custodian, institutions position	(12,908)	(81,727)	(94,635)	
			(1.00) FTE administrative officer I position	(130,947)		(130,947)	
			(1.00) FTE direct care associate III position	(3,788)	(133,450)	(137,237)	
			(1.00) FTE direct care associate II position	(14,908)	(94,391)	(109,300)	
			(1.00) FTE direct care associate II position	(15,306)	(96,906)	(112,212)	
			(1.00) FTE direct care associate I position	(13,725)	(86,897)	(100,621)	
			(1.00) FTE unit program coordinator position	(25,172)	(159,377)	(184,549)	
			(1.00) FTE direct care associate II position	(14,908)	(94,391)	(109,300)	
			(1.00) FTE direct care supervisor position	(115,182)		(115,182)	
			(1.00) FTE direct care associate I position	(14,908)	(94,391)	(109,300)	
			(1.00) FTE direct care associate II position	(13,725)	(86,897)	(100,621)	
			(1.00) FTE direct care associate II position	(14,908)	(94,391)	(109,300)	
			(1.00) FTE direct care associate II position	(14,908)	(94,391)	(109,300)	
			(0.50) FTE direct care associate I position	(67,947)		(67,947)	
			(0.50) FTE direct care associate III position	(9,268)	(58,679)	(67,947)	
			(1.00) FTE direct care associate II position	(14,908)	(94,391)	(109,300)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(1.00) FTE direct care associate II position	(105,951)		(105,951)	
			(1.00) FTE direct care associate I position	(14,908)	(94,391)	(109,300)	
			(1.00) FTE direct care associate II position	(14,452)	(91,499)	(105,951)	
			(1.00) FTE direct care associate I position	(13,725)	(86,897)	(100,621)	
			(1.00) FTE direct care associate I position	(13,725)	(86,897)	(100,621)	
			(1.00) FTE direct care associate III position	(3,857)	(135,884)	(139,741)	
			(1.00) FTE direct care associate III position	(3,102)	(109,285)	(112,387)	
			(1.00) FTE human resource director I position	(227,283)	(47,280)	(274,563)	
			(1.00) FTE general trades maintenance worker II position	(136,086)		(136,086)	
			(1.00) FTE direct care supervisor position	(65,565)	(52,506)	(118,071)	
			(1.00) FTE addiction counselor I position	(100,275)	(80,303)	(180,578)	
			(1.00) FTE addiction counselor II position	(93,355)	(74,761)	(168,116)	
			(1.00) FTE addiction counselor II position		(129,991)	(129,991)	
			(1.00) FTE addiction counselor II position		(154,217)	(154,217)	
			(1.00) FTE direct care supervisor position	(58,252)	(46,650)	(104,902)	
			(1.00) FTE addiction counselor II position		(161,584)	(161,584)	
			(1.00) FTE direct care supervisor position	(58,252)	(46,650)	(104,902)	
			(1.00) FTE registered nurse II position	(101,889)	(81,595)	(183,484)	
			(1.00) FTE nurse practitioner position	(161,017)	(128,947)	(289,964)	
			(1.00) FTE registered nurse III position	(115,408)	(92,422)	(207,831)	
			(1.00) FTE registered nurse II position	(101,889)	(81,595)	(183,484)	
			(1.00) FTE direct care associate I position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate III position		(113,522)	(113,522)	
			(1.00) FTE direct care associate I position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate III position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate I position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate III position		(113,697)	(113,697)	
			(1.00) FTE direct care associate I position	(58,414)	(46,780)	(105,194)	
			(1.00) FTE direct care associate III position	(68,665)	(54,989)	(123,654)	
			(1.00) FTE direct care associate I position	(60,144)	(48,165)	(108,310)	
			(1.00) FTE health and human services program administrator III position	(80,490)	(75,016)	(155,506)	
			(1.00) FTE direct care associate II position	(55,827)	(44,708)	(100,534)	
			(1.00) FTE direct care associate I position		(105,543)	(105,543)	
			(1.00) FTE direct care associate III position		(102,660)	(102,660)	
			(1.00) FTE licensed practical nurse II position	(80,746)	(64,664)	(145,410)	
			(1.00) FTE licensed practical nurse II position	(75,153)	(60,185)	(135,338)	
			(1.00) FTE direct care associate I position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate I position	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate I position	(58,576)	(46,909)	(105,485)	
			(1.00) FTE medical claims services specialist I position	(55,144)	(52,749)	(107,894)	
			(1.00) FTE director of information management position	(208,987)	(107,708)	(316,695)	
			(1.00) FTE administrative assistant I position	(60,169)	(56,460)	(116,629)	
			(0.50) FTE health and human services program administrator II position	(48)	(95,034)	(95,082)	
			(1.00) FTE information technology services deputy director position	(176,304)	(90,864)	(267,167)	
			(1.00) FTE research analyst III position	(109,317)	(64,810)	(174,126)	
			(1.00) FTE administrative officer I position	(130,959)		(130,959)	
			(1.00) FTE cook I position	(100,532)	(3,409)	(103,941)	
			(1.00) FTE position not classified	(57,007)	(45,653)	(102,660)	
			(1.00) FTE direct care associate II position	(14,452)	(91,499)	(105,951)	
			(1.00) FTE direct care associate II	(58,576)	(46,909)	(105,485)	
			(0.50) FTE cook I position	(59,182)	(2,007)	(61,189)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(7.00) FTE positions not classified	(463,326)	(422,914)	(886,240)	
			(1.00) FTE position not classified	(113,925)	(51,568)	(165,493)	
			(6.00) FTE positions not classified	(199,255)	(386,789)	(586,044)	
			(0.50) FTE office assistant III position	(59,033)	(11,378)	(70,411)	
			(1.00) FTE office assistant III position	(85,550)	(13,135)	(98,685)	
			(0.25) FTE licensed practical nurse II position	(25,925)	(28,131)	(54,056)	
			(1.00) FTE administrative assistant II position	(88,599)	(17,077)	(105,676)	
			(1.00) FTE direct care associate III position	(72,048)	(41,808)	(113,856)	
			(4.00) FTE addiction counselor II positions	(185,037)	(416,123)	(601,160)	
			(2.00) FTE mental illness case manager II positions	(171,165)	(100,871)	(272,036)	
			(1.00) FTE office assistant II position	(85,626)	(15,743)	(101,369)	
			(2.00) FTE senior vocational rehabilitation counselor positions	(108,429)	(211,610)	(320,039)	
			(1.00) FTE medical lab technician II position	(163,023)		(163,023)	
			(13.00) FTE administrative officer I positions		(1,541,059)	(1,541,059)	
			(1.00) FTE custodian, institutions position	(106,271)		(106,271)	
			(1.00) FTE licensed practical nurse II position	(151,684)		(151,684)	
			(1.00) FTE registered nurse III position	(115,408)	(92,422)	(207,831)	
			(1.00) FTE office assistant III position	(106,271)		(106,271)	
			(113.00)	($6,423,137)	($8,326,588)	($14,749,725)	
			Adds:				
			1.00 FTE medical claims service specialist I position	$28,970	$86,909	$115,879	
			1.00 FTE medical claims service specialist I position	28,970	86,909	115,879	
			1.00 FTE medical claims service specialist I position	28,970	86,909	115,879	
			1.00 FTE medical claims service specialist I position	28,970	86,909	115,879	
			1.00 FTE medical claims service specialist I position	28,970	86,909	115,879	
			1.00 FTE medical claims service specialist II position	30,841	92,522	123,362	
			1.00 FTE health and human services program administrator IV position	92,215	92,215	184,430	
			1.00 FTE human services program specialist position	62,602	62,602	125,204	
			1.00 FTE health and human services program administrator III position	54,605	72,152	126,757	
			1.00 FTE health and human services program administrator III position	54,605	72,152	126,757	
			7.50 FTE Director of health services administration positions	448,818	448,818	897,636	
			1.00 FTE health and human services program administrator IV position	198,675		198,675	
			1.00 FTE health and human services program administrator III position	155,852		155,852	
			1.00 FTE health and human services program administrator III position	155,852		155,852	
			1.00 FTE health and human services program administrator III position	155,852		155,852	
			1.00 FTE health and human services program administrator III position	155,852		155,852	
			1.00 FTE health and human services program administrator III position	155,852		155,852	
			1.00 FTE health and human services program administrator IV position	184,400		184,400	
			1.00 FTE health and human services program administrator III position	152,830		152,830	
			1.00 FTE health and human services program administrator IV position	184,400		184,400	
			0.50 FTE health and human services program administrator II position	33,983	32,339	66,322	
			1.00 FTE health and human services program administrator IV position	93,121	93,121	186,242	
			0.50 FTE administrative assistant II position	36,103	36,103	72,205	
			1.00 FTE health and human services program administrator II position	74,933	71,307	146,240	
			27.00 FTE health and human services program administrator IV positions	3,921,174		3,921,174	
			1.00 FTE undesignated human service center position	72,049	41,808	113,857	
			4.00 FTE undesignated human service center positions	207,442	466,509	673,951	
			2.00 FTE undesignated human service center positions	198,940	117,240	316,180	
			1.00 FTE health and human service program administrator IV position	184,400		184,400	
			1.00 FTE health and human service program administrator I position	107,713	72,169	179,882	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			1.00 FTE health and human service program administrator IV position	89,941	89,941	179,882	
			1.00 FTE pharmacist II position	89,545	209,336	298,881	
			1.00 FTE medical claims service specialist position	59,376	56,503	115,879	
			68.50	$7,556,820	$2,561,381	$10,118,201	
			Transfers from the State Department of Health:				
			1.00 FTE health and human services program administrator III position	$157,723		$157,723	
			Transfers to the Information Technology Department:				
			(1.00) FTE information system security analyst I position	(107,310)	(55,305)	(162,615)	
			(1.00) FTE DHS business information system administrator position	(152,888)	(78,795)	(231,683)	
			(1.00) FTE business analyst II position	(102,009)	(52,574)	(154,583)	
			(1.00) FTE data processing coordinator III position	(104,746)	(53,984)	(158,730)	
			(1.00) FTE project manager I position	(132,700)	(68,392)	(201,092)	
			(1.00) FTE business analyst I position	(112,494)	(57,978)	(170,472)	
			(1.00) FTE business analyst II position	(133,897)	(69,008)	(202,905)	
			(1.00) FTE information management officer position	(127,003)	(65,455)	(192,458)	
			(1.00) FTE information Technology manager position	(151,027)	(77,836)	(228,863)	
			(1.00) FTE business analyst II position	(129,947)	(66,972)	(196,919)	
			(1.00) FTE research analyst III position	(129,002)	(58,391)	(187,393)	
			(1.00) FTE data processing coordinator III position	(120,414)	(62,058)	(182,472)	
			(1.00) FTE research analyst III position	(118,779)	(53,765)	(172,544)	
			(1.00) FTE human Services program specialist position	(83,326)	(42,944)	(126,270)	
			(1.00) FTE computer and network specialist II position	(107,120)	(55,207)	(162,327)	
			(1.00) FTE data processing coordinator III position	(121,610)	(62,675)	(184,285)	
			(1.00) FTE architect associate position	(140,886)	(72,610)	(213,496)	
			(1.00) FTE business analyst II position	(67,478)	(127,772)	(195,250)	
			(1.00) FTE computer and network specialist II position	(109,930)	(56,656)	(166,586)	
			(1.00) FTE director of information management division position	(208,987)	(107,708)	(316,695)	
			(1.00) FTE data processing coordinator III position	(108,203)	(55,765)	(163,968)	
			(1.00) FTE health and human services program administrator II position	(103,570)	(53,378)	(156,948)	
			(1.00) FTE computer and network specialist II position	(128,959)	(66,464)	(195,423)	
			(1.00) FTE DHS business information system administrator position	(145,291)	(74,881)	(220,172)	
			(1.00) FTE research analyst III position	(112,916)	(51,110)	(164,026)	
			(1.00) FTE senior programmer analyst position	(151,540)	(78,100)	(229,640)	
			(1.00) FTE system support specialist I position	(99,029)	(51,038)	(150,067)	
			(1.00) FTE computer and network specialist II position	(88,013)	(45,360)	(133,373)	
			(1.00) FTE information technology division deputy director position	(176,304)	(90,863)	(267,167)	
			(1.00) FTE computer and network specialist II position	(119,711)	(61,696)	(181,407)	
			(1.00) FTE information system security analyst I position	(116,045)	(59,808)	(175,853)	
			(1.00) FTE research analyst IV position	(132,587)	(60,015)	(192,602)	
			(1.00) FTE computer and network specialist II position	(112,400)	(57,928)	(170,328)	
			(1.00) FTE computer and network specialist II position	(98,042)	(50,529)	(148,571)	
			(1.00) FTE computer and network specialist II position	(98,783)	(50,911)	(149,694)	
			(1.00) FTE data processing coordinator II position	(99,905)	(51,489)	(151,394)	
			(1.00) FTE computer and network specialist II position	(105,411)	(54,326)	(159,737)	
			(1.00) FTE business analyst II position	(124,079)	(63,949)	(188,028)	
			(1.00) FTE computer and network specialist II position	(99,125)	(51,087)	(150,212)	
			(1.00) FTE data processing coordinator III position	(113,007)	(58,242)	(171,249)	
			(1.00) FTE senior programmer analyst position	(133,897)	(69,008)	(202,905)	
			(1.00) FTE computer and network specialist II position	(119,730)	(61,706)	(181,436)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(1.00) FTE programmer analyst III position	(118,704)	(61,178)	(179,882)	
			(1.00) FTE research analyst III position	(110,320)	(49,936)	(160,256)	
			(1.00) FTE business analyst II position	(133,707)	(68,910)	(202,617)	
			(1.00) FTE research analyst III position	(110,320)	(49,936)	(160,256)	
			(1.00) FTE computer and network specialist II position	(99,182)	(51,117)	(150,299)	
			(1.00) FTE DHS business information system administrator position	(165,593)	(85,344)	(250,937)	
			(48.00)	($5,785,926)	($3,030,157)	($8,816,083)	
			Department of Human Services subtotal				
2,162.23	2,070.73	(91.50)	(91.50)	($4,494,520)	($8,795,364)	($13,289,884)	2,123.23
27.50	28.50	1.00	**360 - Protection and Advocacy Project**				28.50
			Adds:				
			1.00 FTE attorney II position	$138,566	$74,613	$213,179	
181.61	156.61	(25.00)	**380 - Job Service North Dakota**				172.61
			Removes:				
			(9.00) FTE unfunded positions including 2 customer service consultant positions, 2 administrative assistant II positions, 1 computer & network specialist I position, 2 program administrator II positions, 1 document imaging specialist II position, and 1 programmer analyst III position [2]	$0	$0	$0	
			Transfers to the Information Technology Department:				
			(3.00) FTE computer & network specialist I positions		($462,492)	($462,492)	
			(1.00) FTE design analyst III position		(219,542)	(219,542)	
			(1.00) FTE information technology administrator II position		(284,089)	(284,089)	
			(1.00) FTE product support specialist I position		(131,074)	(131,074)	
			(2.00) FTE programmer analyst II positions		(339,966)	(339,966)	
			(5.00) FTE programmer analyst III positions		(989,552)	(989,552)	
			(1.00) FTE project manager I position		(137,873)	(137,873)	
			(2.00) FTE senior programmer analyst positions		(441,101)	(441,101)	
			(16.00)	$0	($3,005,689)	($3,005,689)	
			Total:				
			(25.00)	$0	($3,005,689)	($3,005,689)	
2,867.06	2,747.56	(119.50)	**TOTAL HEALTH AND WELFARE**	($4,092,294)	($12,689,359)	($16,781,653)	2,658.06
			REGULATORY				
46.00	44.00	(2.00)	**401 - Insurance Department**				41.00
			Adds:				
			1.00 FTE consumer assistance outreach coordinator position	$0	$29,824	$29,824	
			Removes:				
			(1.00) FTE insurance underwriter position		($179,711)	($179,711)	
			(1.00) FTE division director position		(269,075)	(269,075)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(1.00) FTE insurance claims examiner position		(161,566)	(161,566)	
			(3.00)	$0	($610,352)	($610,352)	
			Total:				
			(2.00)	$0	($580,528)	($580,528)	
110.25 [4]	110.25	0.00	**405 - Industrial Commission**				110.25
14.00	14.00	0.00	**406 - Department of Labor and Human Rights**				14.00
45.00	44.00	(1.00)	**408 - Public Service Commission**				43.00
			Removes:				
			(1.00) FTE grain warehouse licensing inspector position	($137,682)	$0	($137,682)	
7.00	7.00	0.00	**412 - Aeronautics Commission**				7.00
30.00	31.00	1.00	**413 - Department of Financial Institutions**				29.00
			Adds:				
			1.00 FTE cybersecurity / money transmitter examiner position	$0	$194,559	$194,559	
9.00	10.00	1.00	**414 - Securities Department**				9.00
			Adds:				
			1.00 FTE financial technology research and investigation position	$209,294	$0	$209,294	
181.50	181.50	0.00	**471 - Bank of North Dakota**				181.50
44.00	44.00	0.00	**473 - Housing Finance Agency**				44.00
153.00	157.00	4.00	**475 - Mill and Elevator Association**				157.00
			Adds:				
			2.00 FTE food safety positions		$310,024	$310,024	
			2.00 FTE utility worker positions		260,141	260,141	
			4.00	$0	$570,165	$570,165	
260.14	248.14	(12.00)	**485 - Workforce Safety and Insurance**				260.14
			Transfers to the Information Technology Department:				
			(2.00) FTE business analyst II positions		($423,156)	($423,156)	
			(1.00) FTE computer & Network Specialist I position		(141,866)	(141,866)	
			(1.00) FTE computer & Network Specialist III position		(234,561)	(234,561)	
			(1.00) FTE customer technical support specialist I position		(118,863)	(118,863)	
			(1.00) FTE information technology administrator II position		(303,025)	(303,025)	
			(1.00) FTE programmer analyst I position		(149,398)	(149,398)	
			(3.00) FTE programmer analyst III positions		(581,174)	(581,174)	
			(1.00) FTE project manager III position		(293,320)	(293,320)	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(1.00) FTE senior programmer analyst position		(276,972)	(276,972)	
			(12.00)	$0	($2,522,335)	($2,522,335)	
899.89	890.89	(9.00)	**TOTAL REGULATORY**	$71,612	($2,338,139)	($2,266,527)	895.89
			PUBLIC SAFETY				
204.00	197.00	(7.00)	**504 - Highway Patrol**				194.00
			Removes:				
			(1.00) FTE cook II position	($105,559)	($17,184)	($122,743)	
			(1.00) FTE administrative assistant II position	(112,279)	(18,278)	(130,557)	
			(1.00) FTE administrative assistant II position	(91,871)	(14,956)	(106,827)	
			(1.00) FTE administrative assistant II position	(95,889)	(15,610)	(111,499)	
			(1.00) FTE administrative assistant II position	(95,889)	(15,610)	(111,499)	
			(5.00)	($501,487)	($81,638)	($583,125)	
			Transfers to the Information Technology Department:				
			(1.00) FTE data processing coordinator IV	($187,294)	($30,490)	($217,784)	
			(1.00) FTE computer and network specialist II	(159,550)	(25,973)	(185,523)	
			(2.00)	($346,844)	($56,463)	($403,307)	
			Total:				
			(7.00)	($848,331)	($138,101)	($986,432)	
845.29	938.59	93.30	**530 - Department of Corrections and Rehabilitation**				1,036.59
			Adds:				
			20.00 FTE converted from temporary correctional officer positions	$326,435		$326,435	
			1.00 FTE MRCC human relations counselor position	158,615		158,615	
			1.00 FTE MRCC advanced clinical specialist position	235,022		235,022	
			6.00 FTE MRCC registered nurse positions	988,116		988,116	
			0.60 FTE MRCC nurse practitioner position	193,994		193,994	
			31.00 FTE JRCC minimum security correctional officers, supervisors, and deputy warden positions	4,427,097		4,427,097	
			4.00 FTE JRCC case manager positions	613,491		613,491	
			1.00 FTE JRCC registered nurse position	159,046		159,046	
			0.20 FTE JRCC nurse practitioner position	84,743		84,743	
			18.00 FTE TRCC correctional officer positions	2,548,064		2,548,064	
			6.00 FTE TRCC addiction counselor positions	1,198,954		1,198,954	
			1.00 FTE TRCC treatment coordinator position	236,442		236,442	
			1.00 FTE TRCC administrative assistant position	126,730		126,730	
			1.00 FTE TRCC registered nurse position	199,911		199,911	
			0.50 FTE TRCC nurse practitioner position	166,715		166,715	
			7.00 FTE parole and probation officer position	685,034		685,034	
			99.30	$12,348,409	$0	$12,348,409	

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			Transfers to the Information Technology Department				
			(1.00) FTE information technology administrator II position	($279,686)		($279,686)	
			(4.00) FTE computer and network specialist positions	(712,104)		(712,104)	
			(1.00) FTE electronics technician III position	(212,490)		(212,490)	
			(6.00)	($1,204,280)	$0	($1,204,280)	
			Total:				
			93.30	$11,144,129	$0	$11,144,129	
234.00	224.00	(10.00)	**540 - Adjutant General**				224.00
			Adds:				
			3.00 FTE Fargo Readiness Center positions	$131,028	$131,029	$262,057	
			Removes:				
			(4.00) FTE communications specialist position	($437,314)	($48,590)	($485,904)	
			(1.00) FTE carpenter position	(148,564)		(148,564)	
			(1.00) FTE security officer position		(129,932)	(129,932)	
			(2.00) FTE veterans benefits specialist positions	(286,697)		(286,697)	
			(1.00) FTE geographic information systems specialist position	(144,571)		(144,571)	
			(9.00)	($1,017,146)	($178,522)	($1,195,668)	
			Transfers to the Information Technology Department:				
			(1.00) FTE communications supervisor position	($163,139)	($18,127)	($181,266)	
			(1.00) FTE data process coordinator position	(70,301)	(130,560)	(200,861)	
			(2.00) FTE computer and network specialist positions	(189,209)	(141,031)	(330,240)	
			(4.00)	($422,649)	($289,718)	($712,367)	
			Total:				
			(10.00)	($1,308,767)	($337,211)	($1,645,978)	
1,283.29	1,359.59	76.30	**TOTAL PUBLIC SAFETY**	$8,987,031	($475,312)	$8,511,719	1,454.59
			AGRICULTURE AND ECONOMIC DEVELOPMENT				
66.40	60.80	(5.60)	**601 - Department of Commerce**				61.80
			Removes:				
			(4.60) FTE unclassified positions	($480,681)	($275,906)	($756,587)	
			Transfers to the Information Technology Department:				
			(1.00) FTE unclassified position	($181,578)	($9,558)	($191,136)	
			Total:				

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(5.60)	($662,259)	($285,464)	($947,723)	
73.00	71.00	(2.00)	**602 - Department of Agriculture**				72.00
			Removes:				
			(1.00) FTE agriculture division director position	($193,897)		($193,897)	
			(1.00) FTE data processing coordinator II position	(123,104)		(123,104)	
			(2.00)	($317,001)	$0	($317,001)	
43.88 [5]	43.88	0.00	**627 - Upper Great Plains Transportation Institute**				43.88
110.29 [5]	109.81	(0.48)	**628 - Branch research centers**				109.81
			Adjusts:				
			(0.48) FTE position adjustment	$0	$0	$0	
252.98 [5]	242.51	(10.47)	**630 - North Dakota State University Extension Service**				242.51
			Adjusts:				
			(10.47) FTE position adjustments	$0	$0	$0	
11.80 [5]	12.80	1.00	**638 - Northern Crops Institute**				12.80
			Adjusts:				
			1.00 FTE position adjustment	$0	$0	$0	
336.12 [5]	340.05	3.93	**640 - Main Research Center**				344.05
			Adjusts:				
			3.93 FTE position adjustments	$0	$0	$0	
3.00 [5]	3.00	0.00	**649 - Agronomy Seed Farm**				3.00
2.00	2.00	0.00	**670 - Racing Commission**				2.00
899.47	885.85	(13.62)	**TOTAL AGRICULTURE AND ECONOMIC DEVELOPMENT**	($979,260)	($285,464)	($1,264,724)	891.85
			NATURAL RESOURCES AND HIGHWAYS				
75.00	75.00	0.00	**701 - State Historical Society**				72.00
5.00	5.00	0.00	**709 - Council on the Arts**				5.00
163.00	160.00	(3.00)	**720 - Game and Fish Department**				155.00
			Transfers to the Information Technology Department:				
			(1.00) FTE Programmer analyst II position		($177,415)	($177,415)	
			(1.00) FTE Computer and network specialist III position		(213,469)	(213,469)	
			(1.00) FTE Computer and network specialist II position		(143,042)	(143,042)	
			(3.00)	$0	($533,926)	($533,926)	
62.50	61.50	(1.00)	**750 - Parks and Recreation Department**				59.50
			Transfers to the Information Technology Department:				

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
			(1.00) FTE computer and network specialist III position	($182,570)	$0	($182,570)	
93.00	90.00	(3.00)	**770 - State Water Commission**				89.00
			Removes:				
			(4.00) FTE undesignated positions	$0	($693,912)	($693,912)	
			Adds:				
			1.00 FTE risk map position	$0	$174,126	$174,126	
			Total:				
			(3.00)	$0	($519,786)	($519,786)	
1,047.00	980.00	(67.00)	**801 - Department of Transportation**				995.00
			Removes:				
			(26.00) FTE undesignated positions	$0	($4,979,595)	($4,979,595)	
			Transfers to the Information Technology Department:				
			(11.00) FTE programmer analyst III positions		($2,347,528)	($2,347,528)	
			(3.00) FTE programmer analyst II positions		(532,507)	(532,507)	
			(3.00) FTE computer and network specialist III positions		(655,842)	(655,842)	
			(3.00) FTE computer and network specialist II positions		(515,948)	(515,948)	
			(6.00) FTE telecommunication technician III positions		(1,074,703)	(1,074,703)	
			(2.00) FTE telecommunication technician II positions		(304,710)	(304,710)	
			(3.00) FTE telecommunication analyst III positions		(644,686)	(644,686)	
			(1.00) FTE telecommunication analyst II position		(217,193)	(217,193)	
			(1.00) FTE customer technical support specialist II position		(141,046)	(141,046)	
			(1.00) FTE customer technical support specialist I position		(128,333)	(128,333)	
			(2.00) FTE information technology manager positions		(482,803)	(482,803)	
			(4.00) FTE senior programmer analyst positions		(977,188)	(977,188)	
			(1.00) FTE undesignated position		(201,525)	(201,525)	
			(41.00)	$0	($8,224,012)	($8,224,012)	
			Total:				
			(67.00)	$0	($13,203,607)	($13,203,607)	
1,445.50	1,371.50	(74.00)	**TOTAL NATURAL RESOURCES AND HIGHWAYS**	($182,570)	($14,257,319)	($14,439,889)	1,375.50
			SUMMARY TOTALS				
1,434.30	1,538.00	103.70	General Government	($1,663,449)	$25,931,734	$24,268,285	1,467.80
250.11	269.81	19.70	Other Education	4,084,509	(417,653)	3,666,856	237.61
2,867.06	2,747.56	(119.50)	Health and Welfare	(4,092,294)	(12,689,359)	(16,781,653)	2,658.06
899.89	890.89	(9.00)	Regulatory	71,612	(2,338,139)	(2,266,527)	895.89
1,283.29	1,359.59	76.30	Public Safety	8,987,031	(475,312)	8,511,719	1,454.59
899.47	885.85	(13.62)	Agriculture and Economic Development	(979,260)	(285,464)	(1,264,724)	891.85
1,445.50	1,371.50	(74.00)	Natural Resources and Highways	(182,570)	(14,257,319)	(14,439,889)	1,375.50

2017-19 FTE Positions	Executive Recommendation 2019-21 FTE Positions	Increase (Decrease)	Agency/FTE Increase (Decrease)	Salary Amounts Added or Removed in Executive Budget Due to New or Deleted Positions: General Fund	Other Funds	Total	2019-21 FTE Positions in Agency Budget Request [1]
9,079.62	9,063.20	(16.42)	**TOTAL ALL DEPARTMENTS (EXCLUDING HIGHER EDUCATION)**	$6,225,579	($4,531,512)	$1,694,067	8,981.30
			HIGHER EDUCATION				
149.40 [6]	148.90	(0.50)	215 - North Dakota University System office	$0	$0	$0	155.40
358.35 [6]	323.93	(34.42)	227 - Bismarck State College	0	0	0	324.93
129.61 [6]	118.10	(11.51)	228 - Lake Region State College	0	0	0	118.10
100.75 [6]	100.48	(0.27)	229 - Williston State College	0	0	0	100.48
2,218.07 [6]	2,132.17	(85.90)	230 - University of North Dakota	0	0	0	2,133.17
435.75 [6]	485.32	49.57	232 - University of North Dakota School of Medicine and Health Sciences	0	0	0	485.32
1,895.66 [6]	1,870.16	(25.50)	235 - North Dakota State University	0	0	0	1,870.16
345.04 [6]	310.73	(34.31)	238 - North Dakota State College of Science	0	0	0	310.73
168.90 [6]	213.26	44.36	239 - Dickinson State University	0	0	0	213.26
210.53 [6]	209.27	(1.26)	240 - Mayville State University	0	0	0	209.27
441.65 [6]	407.58	(34.07)	241 - Minot State University	0	0	0	415.08
202.75 [6]	180.68	(22.07)	242 - Valley City State University	0	0	0	180.68
84.30 [6]	82.29	(2.01)	243 - Dakota College at Bottineau	0	0	0	88.29
27.00 [6]	27.00	0.00	244 - Forest Service	0	0	0	27.00
6,767.76	6,609.87	(157.89)	**TOTAL HIGHER EDUCATION**	$0	$0	$0	6,631.87
15,847.38	15,673.07	(174.31)	**TOTAL ALL DEPARTMENTS (INCLUDING HIGHER EDUCATION)**	$6,225,579	($4,531,512)	$1,694,067	15,613.17

NOTE: Funding for the positions listed does not include the executive recommendation for salary increases and benefit adjustments.

[1] Total FTE positions requested, including optional adjustments.

[2] The executive budget removes the authorization for these positions, because the funding was removed in prior bienniums.

[3] The 2017-19 biennium authorization for the Department of Human Services includes 6 FTE positions for the purpose of implementing the community behavioral health program, as approved in Senate Bill No. 2015 (2017).

[4] The 2017-19 biennium authorization for the Industrial Commission includes 2 contingent FTE positions that are available to the agency only if the total number of wells capable of production and injection exceeds 18,200. The contingency was met.

[5] The FTE positions listed for the following entities under the control of the State Board of Higher Education were adjusted in accordance with Section 10 of Senate Bill No. 2020 (2017):

	2017-19 Legislative Authorization	Adjusted FTE Position Level	Variance
Upper Great Plains Transportation Institute	43.88	43.88	0.00
Branch research centers	110.29	109.81	(0.48)
North Dakota State University Extension Service	252.98	242.51	(10.47)
Northern Crops Institute	11.80	12.80	1.00
Main Research Center	336.12	340.05	3.93
Agronomy Seed Farm	3.00	3.00	0.00
Total	758.07	752.05	(6.02)

[6] The FTE positions listed for the following entities under the control of the State Board of Higher Education were adjusted in accordance with Section 21 of Senate Bill No. 2003 (2017) to the level supported by the general fund:

	2017-19 Legislative Authorization	Adjusted FTE Position Level	Variance
North Dakota University System office	149.40	149.40	0.00
Bismarck State College	358.35	358.35	0.00
Lake Region State College	129.61	129.61	0.00
Williston State College	100.75	100.75	0.00
University of North Dakota	2218.07	2218.07	0.00
University of North Dakota School of Medicine and Health Sciences	435.75	435.75	0.00
North Dakota State University	1895.66	1895.66	0.00
North Dakota State College of Science	345.04	345.04	0.00
Dickinson State University	168.90	168.90	0.00
Mayville State University	210.53	210.53	0.00
Minot State University	441.65	441.65	0.00
Valley City State University	202.75	202.75	0.00
Dakota College at Bottineau	84.30	84.30	0.00
Forest Service	27.00	27.00	0.00
Total	6,767.76	6,767.76	0.00

ANALYSIS OF STATE EMPLOYEE SALARY INCREASES

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

Year	General Salary Increase Provided or Proposed	Annual Inflation*
2003	Up to 1% effective on January 1, 2004, for the executive and judicial branches to the extent that the increase could be provided from pooled savings realized from the eliminated full-time equivalent (FTE) positions and from accumulated savings from other vacant FTE positions. At least 70% of the funding for the increase provided was required to be from pooled savings of the eliminated FTE positions. No specific funding was provided to higher education institutions for salary increases, with the intent that any salary increases provided be from existing appropriation authority. The judicial branch eliminated four vacant FTE positions and provided a 1% salary increase to its employees effective January 1, 2004. The executive branch did not receive a salary increase.	2.3%
2004	Up to 2% effective on January 1, 2005, for the executive and judicial branches to the extent that the increase could be provided from pooled savings realized from the eliminated FTE positions and from accumulated savings from other vacant FTE positions. At least 70% of the funding for the increase provided was required to be from pooled savings of the eliminated FTE positions. No specific funding was provided to higher education institutions for salary increases, with the intent that any salary increases provided be from existing appropriation authority. The executive branch and the judicial branch did not eliminate positions to receive salary increases on January 1, 2005.	2.7%
2005	4%	3.4%
2006	4%	3.2%
2007[2]	4% with a minimum of $75 per month (salary increases were to be based on merit and equity and were not to be given across the board)	2.9%
2008[2]	4% with a minimum of $75 per month (salary increases were to be based on merit and equity and were not to be given across the board)	3.8%
2009[3]	5% with a minimum of $100 per month (salary increases were to be based on merit and equity and were not to be given across the board)	(0.3%)
2010[3]	5% with a minimum of $100 per month (salary increases were to be based on merit and equity and were not to be given across the board)	1.6%
2011[4]	3% (Salary increases for nonclassified employees were to be based on merit and equity and were not to be given across the board. Salary increases for classified employees were to be based on guidelines developed by the Office of Management and Budget (OMB).)	3.1%
2012[4]	3% (Salary increases for nonclassified employees were to be based on merit and equity and were not to be given across the board. Salary increases for classified employees were to be based on guidelines developed by OMB.)	2.1%
2013[5]	From 3 to 5% based on performance and up to 2% for classified employees in the first quartile of their salary range and up to 1% for classified employees in the second quartile of their salary range for market equity	1.5%
2014[5]	From 2 to 4% based on performance and up to 2% for classified employees in the first quartile of their salary range and up to 1% for classified employees in the second quartile of their salary range for market equity	1.6%
2015[6]	From 2 to 4% based on performance	0.1%
2016[6]	From 2 to 4% based on performance	1.2%
2017	0%	1.6%
2018	0%	2.2% (projected)
2019	Up to 4%[7]	2.4% (projected)
2020	2% If agencies identify savings from employee reductions an additional 2% salary increase may be provided.[7]	1.8% (projected)

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

[1]In addition the 2001 Legislative Assembly provided:

- $5 million, $2.7 million of which was from the general fund, for market equity compensation adjustments for classified employees as approved by Human Resource Management Services.

- $4,628,824 from the general fund for equity and special needs for entities under the control of the State Board of Higher Education. A portion of this amount was used for salary increases to address equity issues.
- $178,233, $142,697 of which was from the general fund, for salary equity adjustments for elected and appointed officials.

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

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

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

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

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

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

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

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

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

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

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

The 2015 Legislative Assembly also provided targeted market equity funds of $4.49 million, which included $3.75 million from the general fund to address occupational market disparities, economic growth areas, recruitment and retention challenges, and external pay inequities for employees who are critical to the mission of the agency. Agencies that received a targeted market equity salary adjustment include the Adjutant General ($71,323), Veterans' Home ($468,954),

State Department of Health ($724,558), Department of Human Services ($3,039,616), and the Protection and Advocacy Project ($185,549).

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

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

[7]As recommended in the 2019-21 biennium executive budget.

ANALYSIS OF ELECTED OFFICIALS' SALARIES

The executive budget recommendation for the 2019-21 biennium includes funding to provide salary increases of 4 percent effective July 1, 2019, and 2 percent effective July 1, 2020, for executive branch elected officials. The statutory changes necessary to adjust elected officials' salaries are recommended to be included in the appropriation bills for the respective elected officials. The schedule below shows for each elected official the salary authorized by the 2017 Legislative Assembly and the salary being proposed in the executive budget.

State Official	Statutory Annual Salary Authorized by the 2017 Legislative Assembly		Proposed Annual Salary Included in the 2019-21 Executive Budget Recommendation	
	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019	Effective July 1, 2020
Governor	$132,964[1]	$132,964[1]	$138,282	$141,048
Lieutenant Governor	$103,221	$103,221	$107,350	$109,497
Secretary of State	$105,770	$105,770	$110,001	$112,201
Attorney General	$157,009	$157,009	$163,289	$166,555
Superintendent of Public Instruction	$120,410	$120,410	$125,226	$127,731
Tax Commissioner	$114,791	$114,791	$119,383	$121,770
Insurance Commissioner	$105,770	$105,770	$110,001	$112,201
Public Service Commissioners (3)	$108,656	$108,656	$113,002	$115,262
Agriculture Commissioner	$108,656	$108,656	$113,002	$115,262
State Auditor	$105,770	$105,770	$110,001	$112,201
State Treasurer	$99,881	$99,881	$103,876	$105,954

[1]Section 5 of House Bill No. 1001 (2017) includes legislative intent that the Governor accept the Governor's salary, but allows the Governor, if the Governor chooses, to decline the salary. The Governor has declined the 2017-19 biennium salary appropriated by the Legislative Assembly.

The judicial branch included funding in its request for a 2 percent annual increase in judges salaries. The following schedule shows the current salary and the salary being proposed for each judge in the judicial branch budget request:

	Statutory Annual Salary Authorized by the 2017 Legislative Assembly		Proposed Annual Salary Included in the 2019-21 Judicial Branch Budget Request	
	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019	Effective July 1, 2020
Supreme Court Chief Justice	$161,517	$161,517	$164,747	$168,042
Other Supreme Court justices	$157,009	$157,009	$160,149	$163,352
District court presiding judges	$148,025	$148,025	$150,986	$154,005
Other district court judges	$143,869	$143,869	$146,746	$149,681

SECTION J - TRUST FUND ANALYSES

BUDGET STABILIZATION FUND	J-1
COMMON SCHOOLS TUST FUND	J-3
COMMUNITY HEALTH TRUST FUND	J-7
FOUNDATION AID STABALIZATION FUND	J-10
HIGHWAY TAX DISTRIBUTION FUND	J-13
LEGACY FUND	J-17
RESOURCES TRUST FUND	J-19
STATE AID DISTRIBUTION FUND	J-22
STRATEGIC INVESTMENT AND IMPROVEMENTS FUND	J-24
TAX RELIEF FUND	J-28

ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		$38,308,669		$740,509,034
Add estimated revenues				
Investment income	$6[1]		$0[1]	
Oil and gas tax collections	75,000,000[2]		0[2]	
Transfer from general fund	312,161,219[3]		0	
Transfer from strategic investment and improvements fund	315,039,140[4]		0	
Total estimated revenues		702,200,365		0
Total available		$740,509,034		$740,509,034
Less estimated expenditures and transfers				
Transfer to general fund	$0		$0	
Total estimated expenditures and transfers		0		0
Estimated ending balance		$740,509,034		$740,509,034

[1]Interest earnings are retained in the fund unless the balance of the fund is at the maximum amount allowed under North Dakota Century Code Section 54-27.2-01.

[2]House Bill No. 1152 (2017) provides for the deposit of up to $75 million of the state share of oil and gas tax collections into the budget stabilization fund each biennium. The entire $75 million amount is anticipated to be deposited into the fund during the 2017-19 biennium. No oil and gas tax collections are estimated to be deposited in the fund during the 2019-21 biennium due to the fund being at its maximum balance.

[3]Chapter 54-27.2 provides any amount in the general fund at the end of a biennium in excess of $65 million must be transferred to the budget stabilization fund, except that the balance in the budget stabilization fund may not exceed 15 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The amount shown is based on the executive budget recommended general fund appropriations amount of $4,936,726,893.

[4]The executive budget provides for a $315 million transfer from the strategic investment and improvements fund to the general fund during the 2017-19 biennium.

FUND HISTORY

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

- Section 54-27.2-01 establishes the budget stabilization fund and provides any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section originally provided any money in the fund in excess of 10 percent of the general fund budget, as approved by the most recently adjourned Legislative Assembly, must be deposited in the general fund. The 2011 Legislative Assembly approved House Bill No. 1451, which decreased the maximum balance allowed in the fund from 10 to 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The 2017 Legislative Assembly approved House Bill No. 1155, which increased the maximum balance allowed in the fund from 9.5 to 15 percent of the general fund budget, as approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides any amount in the general fund at the end of a biennium in excess of $65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides the governor may order a transfer from the budget stabilization fund to the general fund if the director of the Office of Management and Budget projects a general fund revenue shortfall. The section originally limited the transfer 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. House Bill No. 1155 (2017) revised the section to allow for transfers from the budget stabilization fund to the general fund as follows:

After general fund allotments totaling at least 3 percent have been made under Section 54-44.1-12, the governor may order a transfer of up to an amount equal to 3 percent of general fund appropriations;

After the previous transfer has been made and an additional 1 percent general fund budget allotment has been made, the governor may order a transfer of up to 2 percent of general fund appropriations;

After the previous transfer has been made and an additional 1 percent general fund budget allotment has been made, the governor may order a transfer of up to 3 percent of general fund appropriations; and

After the previous transfer has been made and an additional 1 percent general fund budget allotment has been made, the governor may order a transfer of any remaining funds in the budget stabilization fund.

The amount of transfers from the budget stabilization fund to the general fund may not exceed the difference between the original and revised general fund revenue forecasts less general fund allotments made under Section 54-44.1-12. For purposes of the transfers, total general fund allotment percentages must be based on allotments made after any allotment exemption granted by the director of the budget.

ANALYSIS OF THE COMMON SCHOOLS TRUST FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

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

The following is a summary of actual and estimated assets, distributions, and investment returns for the common schools trust fund for the 1997-99 through 2019-21 bienniums:

Biennium	Fiscal Year	Beginning Assets (Excluding Land and Minerals Values)	Distributions	Total Average Investment Return (Interest Income and Capital Gains)
1997-99	1998	$400,689,879	$23,200,000	13.57%
	1999	$444,823,559	$23,200,000	7.50%
1999-2001	2000	$467,059,293	$23,775,000	11.05%
	2001	$521,509,978	$23,775,000	2.03%
2001-03	2002	$533,360,593	$28,896,500	(1.34%)
	2003	$522,905,814	$28,896,500	4.57%
2003-05	2004	$547,047,877	$30,000,000	12.60%
	2005	$614,738,548	$30,000,000	8.58%
2005-07	2006	$686,273,875	$31,100,000	7.51%
	2007	$761,901,287	$31,100,000	12.82%
2007-09	2008	$887,092,909	$33,400,000	(4.22%)
	2009	$908,928,685	$33,400,000	(13.75%)
2009-11	2010	$846,314,086	$38,589,000	14.48%
	2011	$1,221,501,801	$38,589,000	17.99%
2011-13	2012	$1,622,412,984	$46,257,000	2.42%
	2013	$1,917,135,220	$46,257,000	10.65%
2013-15	2014	$2,417,363,782	$65,163,000	13.85%
	2015	$3,128,315,233	$65,163,000	.50%
2015-17	2016	$3,437,988,002	$103,067,000	(0.63%)
	2017	$3,512,355,582	$103,067,000	9.50%
2017-19	2018	$3,940,114,988	$144,132,000	6.50%
	2019	$4,318,989,728	$144,132,000	[1]
2019-21	2020	[1]	$183,378,000	[1]
	2021	[1]	$183,378,000	[1]

[1]Section 2 of Article IX of the Constitution of North Dakota was amended in November 2006 through voter approval of Measure No. 1 (House Concurrent Resolution No. 3037 (2005)). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. The amendment became effective July 1, 2009, and distributions are no longer based on interest and income earned by the fund. Distributions from the common schools trust fund are now based on a percentage of the 5-year average value of trust assets, excluding the value of lands and minerals. Therefore, the Board of University and School Lands does not project asset values, income, or investment return because it is no longer relevant to the calculation of distribution amounts. **The unaudited fund balance of the common schools trust fund was $4,255,382,387 as of September 30, 2018.**

MONEY DEPOSITED IN THE COMMON SCHOOLS TRUST FUND

Select Constitutional Provisions

Article IX, Section 1

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

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

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

Article IX, Section 5

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

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

Article X, Section 24

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

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

Select North Dakota Century Code Provisions

Section 47-30.1-23

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

Section 54-27-25

This section, which was enacted by the 1999 Legislative Assembly, creates a tobacco settlement trust fund to be used to deposit tobacco settlement money received by the state. Forty-five percent of the tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement and deposited in the tobacco settlement trust fund must be transferred to the common schools trust fund and become a part of the principal of the fund. In House Bill No. 1012 (2017), the Legislative Assembly amended Section 54-27-25 to suspend transfers from the tobacco settlement trust fund to the common schools trust fund during the 2017-19 biennium and increase transfers from the tobacco settlement trust fund to the community health trust fund from 10 to 55 percent of the tobacco settlement revenues deposited in the tobacco settlement trust fund.

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

To date, $189,745,840 of tobacco settlement money received by the state has been transferred to the common schools trust fund. The following is a summary of transfers to the common schools trust fund from the tobacco settlement trust fund, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and pursuant to the temporary change in transfers from the tobacco settlement trust fund approved in House Bill No. 1012 (2017). Estimated transfers are based on actual transfers through October 2018 and estimated transfers for the remainder of the 2017-19 biennium and for the 2019-21 biennium based on the December 2018 executive budget revenue forecast.

1999-2001	$23,805,353 (actual)
2001-03	$23,998,745 (actual)
2003-05	$20,977,123 (actual)
2005-07	$19,722,653 (actual)
2007-09	$27,672,929 (actual)
2009-11	$18,248,834 (actual)
2011-13	$18,108,052 (actual)
2013-15	$19,003,716 (actual)
2015-17	$18,208,436 (actual)
2017-19	$0 (estimate)
2019-21	$16,110,000 (estimate)
2021-25	$47,253,448 (estimate)

DISTRIBUTIONS FROM THE COMMON SCHOOLS TRUST FUND
Select Constitutional Provisions

Article IX, Section 1

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

Article IX, Section 2

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

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

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

- Payments to the common schools must be distributed in proportion to the number of school-age children in each district.

- Any portion of the interest or income of the common schools trust fund not distributed during a fiscal year must be added to the permanent balance of the trust fund.

Select North Dakota Century Code Provisions

Section 15-01-02

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

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

INVESTMENT OF THE COMMON SCHOOLS TRUST FUND

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

ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		$609,221		$17,602,327
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	$29,093,106[1]		$0	
Projected remaining transfers from the tobacco settlement trust fund	9,900,000[2]		3,580,000[2]	
Total estimated revenues		38,993,106[2]		3,580,000[2]
Total available		$39,602,327		$21,182,327
Less estimated expenditures and adjustments				
State Department of Health (2017 SB 2004; Executive budget recommendation)				
Tobacco prevention and control program grants to local public health units for tobacco prevention and control			$6,500,000[3]	
Tobacco prevention and control, including the Tobacco Quitline and the tobacco cessation coordinator and operating expenses	$3,200,000[4]		3,200,000[4]	
Women's Way program	329,500		329,500	
Behavioral Risk Factor State Survey	470,500		270,500	
Dentists' loan repayment program			324,000[5]	
Behavioral health loan repayment program			200,000[6]	
Department of Human Services (2017 HB 1012) - Medical Services Division	18,000,000			
Total estimated expenditures and adjustments		22,000,000		10,824,000
Estimated ending balance		$17,602,327		$10,358,327

[1]As of October 2018, the state has received a tobacco settlement payment of $53,096,556 for the 2017-19 biennium, of which $29,093,106 has been transferred from the tobacco settlement trust fund to the community health trust fund for the 2017-19 biennium. The tobacco settlement payment received in April 2018 included funding released from an escrow account related to the settlement of an ongoing dispute between the state and major tobacco companies over enforcement of the 1998 Tobacco Master Settlement Agreement. The funding released from the escrow account resulted in an additional $20.5 million being deposited in the community health trust fund. Total transfers of $71,258,848 have been made from the tobacco settlement trust fund to the community health trust fund.

[2]Revenues - Interest earned on the community health trust fund is deposited in the general fund. Community health trust fund revenues have been estimated based on actual revenues received through October 2018 and estimated revenues for remainder of the 2017-19 biennium and for the 2019-21 biennium, based on the December 2018 executive budget revenue forecast. Estimates are net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes. **In House Bill No. 1012 (2017), the Legislative Assembly suspended transfers from the tobacco settlement trust fund to the common schools trust fund during the 2017-19 biennium and increased transfers from the tobacco settlement trust fund to the community health trust fund from 10 to 55 percent of the tobacco settlement revenues deposited in the tobacco settlement trust fund.**

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. In House Bill No. 1012 (2017), the Legislative Assembly amended Section 54-27-25 to suspend transfers from the tobacco settlement trust fund to the common schools trust fund during the 2017-19 biennium and increase transfers from the tobacco settlement trust fund to the community health trust fund from 10 to 55 percent of the tobacco settlement revenues deposited in the tobacco settlement trust fund. Transfers from the tobacco settlement trust fund to the water development trust fund remain at 45 percent. Therefore, the following are estimated allocations of tobacco settlement payments through 2025, based on the temporary reallocation approved by the 2017 Legislative Assembly and the December 2018 executive budget revenue forecast for the 2019-21 biennium:

	Actual and Estimated Total Tobacco Settlement Proceeds, Including Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)		
			Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	$36.4 million	N/A	$16.4 million	$16.4 million	$3.6 million
Actual payment April 2009	39.2 million	$14.1 million	11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million	18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million	18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million	19.0 million	19.0 million	4.2 million
Actual payments 2015-17 biennium	63.5 million[1]	22.9 million	18.2 million	18.2 million	4.0 million
Estimated 2017-19 biennium	71.1 million[1]	N/A	0	31.9 million	39.0 million
Estimated 2019-21 biennium	36.0 million[1]	N/A	16.1 million	16.1 million	3.6 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	$542.8 million	$105.7 million	$164.5 million	$196.4 million	$75.6 million

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

[3]In 2017 the Legislative Assembly provided $6.5 million from the tobacco prevention and control trust fund to the State Department of Health for grants to local public health units for tobacco prevention and control programs. The executive budget recommendation provides $6.5 million from the community health trust fund for grants to local public health units for tobacco prevention and control programs during the 2019-21 biennium.

[4]Section 54-27-25 provides money in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with an emphasis on preventing or reducing tobacco usage. The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly increased the funding for the Tobacco Quitline to provide nicotine replacement therapy and cessation counseling. The 2007 Legislative Assembly authorized 1 full-time equivalent tobacco prevention coordinator position and related funding for salaries and wages and operating expenses for the position. The 2017 Legislative Assembly did not approve direct funding for the Tobacco Quitline or the tobacco prevention coordinator position, but appropriated $3.2 million from the community health trust fund for tobacco prevention and control programs for the 2017-19 biennium. The department anticipates spending $3.2 million from the fund for tobacco prevention and control during the 2017-19 biennium. The executive budget recommendation provides $3.2 million from the community health trust fund to the department for tobacco prevention and control programs for the 2019-21 biennium.

[5]In 2017 the Legislative Assembly provided $600,000 to the State Department of Health for the dental loan repayment program in the 2017-19 biennium, of which $360,000 was from the student loan trust fund and $240,000 was from the general fund. The executive budget recommendation for the 2019-21 biennium provides a total of $740,000 for the dental loan repayment program, of which $324,000 is from the community health trust fund and $416,000 is from the general fund.

[6]In 2017 the Legislative Assembly provided $243,640 from the tobacco prevention and control trust fund to the State Department of Health for the behavioral health loan repayment program in the 2017-19 biennium. The executive budget recommendation for the 2019-21 biennium provides a total of $364,000 for the behavioral health loan repayment program, of which $200,000 is from the community health trust fund and $164,000 is from the general fund.

FUND HISTORY

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

- 10 percent to the community health trust fund. In House Bill No. 1012 (2017), the Legislative Assembly suspended transfers from the tobacco settlement trust fund to the common schools trust fund during the 2017-19 biennium and increased transfers from the tobacco settlement trust fund to the community health trust fund from 10 to 55 percent of the tobacco settlement revenues deposited in the tobacco settlement trust fund.

- 45 percent to the common schools trust fund. In House Bill No. 1012 (2017), the Legislative Assembly suspended transfers from the tobacco settlement trust fund to the common schools trust fund during the 2017-19 biennium and increased transfers from the tobacco settlement trust fund to the community health trust fund from 10 to 55 percent of the tobacco settlement revenues deposited in the tobacco settlement trust fund.
- 45 percent to the water development trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund after the 2017-19 biennium. In 2009, tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, relating to strategic contribution payments, which began in 2008 and continued through 2017, was deposited into the tobacco prevention and control trust fund. The measure also provided 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. However, in Senate Bill No. 2004 (2017), the Legislative Assembly amended Section 54-27-25 to remove the 80 percent restriction on transfers to the community health trust fund.

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

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		$621,854,625		$418,539,916
Add estimated revenues				
Oil extraction tax allocations	$175,762,291[1]		$185,016,202[1]	
Total estimated revenues		175,762,291		185,016,202
Total available		$797,616,916		$603,556,118
Less estimated expenditures and transfers				
Department of Public Instruction - State school aid	$110,000,000		$232,781,065	
Department of Public Instruction - One-time funding for state school aid (2017 HB 1013)	185,000,000			
Department of Public Instruction - One-time funding for regional education association merger grants (2017 HB 1013)	100,000			
Department of Public Instruction - One-time funding for rapid enrollment grants (2017 SB 2272)	6,000,000[2]			
Department of Public Instruction - One-time funding for English language learner grants (2017 SB 2272)	500,000[2]			
Career and Technical Education - One-time funding for grants to school districts and area centers, including $50,000 for the Marketplace for Kids program (2017 SB 2019)	2,477,000[2]			
Transfer to the school construction assistance revolving loan fund (2017 SB 2272)	75,000,000[2]			
Total estimated expenditures and transfers		379,077,000[3]		232,781,065[3]
Estimated ending balance		$418,539,916		$370,775,053
Less required reserve of 15 percent of the general fund appropriation for state school aid and career and technical education grants to school districts and area centers during the prior biennium		269,168,800[4]		214,831,704[5]
Estimated ending balance available		$149,371,116		$155,943,349

[1]Estimated revenues - Based on actual oil and gas tax revenue collections deposited in the fund through October 2018. The estimated allocations for the remainder of the 2017-19 biennium and the estimated allocations for the 2019-21 biennium are based on the December 2018 executive budget revenue forecast.

[2]In 2017 the Legislative Assembly approved Senate Bill No. 2272, which provides for a transfer of $75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund and for appropriations from the foundation aid stabilization fund to the Department of Public Instruction for rapid enrollment grants ($6 million) and English language learner grants ($500,000). The Legislative Assembly also provided, in Senate Bill No. 2019 (2017), one-time funding of $2,477,000 from the foundation aid stabilization fund for grants to school districts and area centers, including $50,000 for the Marketplace for Kids program.

[3]Expenditures - Prior to December 8, 2016, Section 24 of Article X of the Constitution of North Dakota provided the principal of the foundation aid stabilization fund could only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. Senate Concurrent Resolution No. 4003 (2015), approved by voters in November 2016, amended Section 24 of Article X of the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes.

[4]Amendments to the Constitution approved by the voters, as provided in Senate Concurrent Resolution No. 4003 (2015), require the balance in the foundation aid stabilization fund be at least 15 percent of the general fund appropriation for state aid to school districts for the most recently completed biennium as determined by the Office of Management and Budget. Any excess balance in the fund is available for education-related purposes. The Legislative Assembly, in Senate Bill No. 2272 (2017) and House Bill No. 1155 (2017), amended North Dakota Century Code Section 54-44.1-12 to provide any reductions to the general fund appropriation to the Department of Career and Technical Education for grants to school districts due to allotment are also to be offset by funding from the foundation aid stabilization fund. Senate Bill No. 2272 also created a new section to Chapter 54-27 indicating that state school aid includes general fund appropriations for state school aid, transportation aid, and special education aid in the Department of Public Instruction as well as general fund appropriations for career and technical education grants to school districts and area centers in the Department of Career and Technical Education. Based on general fund appropriations to the Department of Career and Technical Education for career and technical education grants to school districts and area centers during the 2015-17 biennium, this change increases the required reserve during the 2017-19 biennium by $3,397,900. The adjusted appropriation for integrated formula payments, transportation aid, and special education grants totaled $1,990,940,000 during the 2015-17 biennium, of which $219,134,000 is provided from the state tuition fund, $116,053,293 is from the foundation aid stabilization fund, and $1,655,752,707 is provided from the general fund. Based on this level of funding from the general fund during the 2015-17 biennium, the required balance in the foundation aid stabilization fund during the 2017-19 biennium would be $251,760,806. However, the Office of Management and Budget reported in its 2017-19 executive budget documents a required reserve balance of $265,770,900, which is the reserve balance required based on the original 2015-17 biennium state school aid appropriations. Therefore, based on original 2015-17 biennium appropriations for state school aid appropriations and for career and technical education grants to school districts and area centers, the required reserve totals $269,168,800 for the 2017-19 biennium.

[5]The appropriation for integrated formula payments, transportation aid, and special education grants totals $2,009,904,163 during the 2017-19 biennium, of which $305,546,905 is provided from the state tuition fund, $295,000,000 is from the foundation aid stabilization fund, and $1,409,357,258 is provided from the general fund. In addition, general fund appropriations for career and technical education grants to school districts and area centers in the Department of Career and Technical Education totaled $22,854,100 during the 2017-19 biennium. Based on this level of funding from the general fund during the 2017-19 biennium, the Office of Management and Budget, in its 2019-21 executive budget documents, reported a required reserve balance of $214,831,704 for the 2019-21 biennium.

FUND HISTORY

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

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

In November 2016 voters approved Senate Concurrent Resolution No. 4003 (2015), which amended the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for education-related purposes. In addition the Legislative Assembly approved Senate Bill No. 2039 (2015), which included certain provisions effective December 1, 2016, based on the approval of Senate Concurrent Resolution No. 4003 by voters. Those provisions of Senate Bill No. 2039 established a scholarship endowment fund and a school construction assistance loan fund and provided for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of $200 million or 50 percent of the balance of the fund on December 1, 2016) and to the scholarship endowment fund (the lesser of $200 million or 50 percent of the balance of the fund on December 1, 2016). Other provisions of Senate Bill No. 2039 provided any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for education-related purposes, including state aid to school districts and education-related property tax relief to school district patrons. In 2017 the Legislative Assembly approved Senate Bill No. 2272, which provided for uses of the foundation aid stabilization fund and repealed Sections 9 and 10 of Chapter 153 of the 2015 Session Laws related to the transfers to the scholarship endowment fund and the school construction assistance loan fund.

Prior to December 8, 2016, the principal of the foundation aid stabilization fund was only available upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. Section 54-44.1-12 provides the Director of the Budget may order an allotment to control the rate of expenditures of state agencies. This section provided that an allotment must be made by a specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only

be allotted to the extent the allotment can be offset by transfers from the foundation aid stabilization fund. In 2017 the Legislative Assembly approved Senate Bill No. 2272 and House Bill No. 1155, which amended Section 54-44.1-12 to provide any reductions to the general fund appropriation to the Department of Career and Technical Education for grants to school districts due to allotment are offset by funding from the foundation aid stabilization fund. Senate Bill No. 2272 also created a new section to Chapter 54-27 indicating that state school aid includes general fund appropriations for state school aid, transportation aid, and special education aid in the Department of Public Instruction, as well as general fund appropriations for career and technical education grants to school districts and area centers in the Department of Career and Technical Education.

Section 24 of Article X of the Constitution of North Dakota provides the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. For the period July 1, 2017, through October 31, 2018, $526,863 of interest from the foundation aid stabilization fund has been allocated to the general fund.

ANALYSIS OF THE HIGHWAY TAX DISTRIBUTION FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		$0		$0
Add estimated revenues[1,2]				
Motor vehicle fuel tax	$196,270,000		$200,300,000	
Special fuels taxes	186,400,000		186,600,000	
Motor vehicle registration fees	181,200,000[1]		187,500,000	
Total estimated revenues		563,870,000		574,400,000
Total available		$563,870,000		$574,400,000
Less estimated deductions before distributions				
Highway Patrol	$6,912,904		$6,936,012	
Motorboat safety account	273,103		200,000	
State snowmobile fund	175,499		200,000	
Rail safety fund	570,000		0	
Administrative assistance to transferees	5,500,000		5,500,000	
Ethanol production incentive	4,700,000		4,700,000	
Total estimated deductions before distributions		18,131,506		17,536,012
Total available for distributions and transfers		$545,738,494		$556,863,988
Less estimated distributions and transfers				
State highway fund	$334,738,494		$341,363,988	
Counties	120,000,000		122,500,000	
Cities	68,100,000		69,600,000	
Townships	14,700,000		15,000,000	
Transit	8,200,000		8,400,000	
Total estimated distributions and transfers		545,738,494		556,863,988
Estimated ending balance		$0		$0

[1]Revenues do not include funds collected and disbursed for the administration of the Department of Transportation's (DOT) Motor Vehicle Division, through tribal agreements, or funds collected for vanity license plates and disbursed to nonprofit organizations.

[2]The amounts shown reflect actual revenue collections deposited in the fund through October 2018. The estimated revenue for the remainder of the 2017-19 biennium and the estimated collections for the 2019-21 biennium are based on the Department of Transportation's revenue forecast.

HIGHWAY TAX DISTRIBUTION FUND HISTORY

Section 11 of Article X of the Constitution of North Dakota provides:

> Revenue from gasoline and other motor fuel excise and license taxation, motor vehicle registration and license taxes, except revenue from aviation gasoline and unclaimed aviation motor fuel refunds and other aviation motor fuel excise and license taxation used by aircraft, after deduction of cost of administration and collection authorized by legislative appropriation only, and statutory refunds, shall be appropriated and used solely for construction, reconstruction, repair and maintenance of public highways, and the payment of obligations incurred in the construction, reconstruction, repair and maintenance of public highways.

The majority of funds received from motor fuels taxes and motor vehicle registration fees are deposited in the highway tax distribution fund. North Dakota Century Code Section 54-27-19 provides the highway tax distribution fund consists of the "moneys available by law from collections of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes." This section provides after the first $5.5 million per biennium is transferred to the state highway fund for the purpose of providing administrative assistance to other transferees, the money in the fund must be distributed by the state treasurer as follows:

1. Sixty-one and three-tenths percent must be transferred monthly to the state department of transportation and placed in a state highway fund.
2. Two and seven-tenths percent must be transferred monthly to the township highway fund.
3. One and five-tenths percent must be transferred monthly to the public transportation fund.
4. Thirty-four and five-tenths percent must be allocated to the counties of this state in proportion to the number of vehicle registrations credited to each county. Each county must be credited with the certificates of title of vehicles registered by residents of the county. The state treasurer shall compute and distribute the counties' share monthly after deducting the incorporated cities' share. All the moneys received by the counties from the highway tax distribution fund must be set aside in a separate fund called the "highway tax distribution fund" and must be appropriated and applied solely for highway purposes in accordance with section 11 of article X of the Constitution of North Dakota. The state treasurer shall compute and distribute monthly the sums allocated to the incorporated cities within each county according to the formulas in this subsection using the incorporated cities' populations as determined by the last official regular or special federal census or the census taken in accordance with the provisions of chapter 40-02 in case of a city incorporated subsequent to the census.
    a. For counties having no cities with a population of ten thousand or more, twenty-seven percent of the total county allocation must be distributed to all of the incorporated cities within the county on a countywide per capita basis. The remaining county allocation amount must be transferred into the county highway tax distribution fund.
    b. For each county having a city with a population of ten thousand or more, the amount transferred each month into the county highway tax distribution fund must be the difference between the amount allocated to that county pursuant to this subsection and the total amount allocated and distributed to the incorporated cities in that county as computed according to the following formula:
        (1) A statewide per capita average as determined by calculating twenty-seven percent of the amount allocated to all of the counties under this subsection divided by the total population of all of the incorporated cities in the state.
        (2) The share distributed to each city in the county having a population of less than one thousand must be determined by multiplying the population of that city by the product of 1.50 times the statewide per capita average computed under paragraph 1.
        (3) The share distributed to each city in the county having a population of one thousand to four thousand nine hundred ninety-nine, inclusive, must be determined by multiplying the population of that city by the product of 1.25 times the statewide per capita average computed under paragraph 1.
        (4) The share distributed to each city in the county having a population of five thousand or more must be determined by multiplying the population of that city by the statewide per capita average for all such cities, which per capita average must be computed as follows: the total of the shares computed under paragraphs 2 and 3 for all cities in the state having a population of less than five thousand must be subtracted from the total incorporated cities' share in the state as computed under paragraph 1 and the balance remaining must then be divided by the total population of all cities of five thousand or more in the state.
5. The moneys allocated to the incorporated cities must be distributed to them monthly by the state treasurer and must be deposited by the cities in a separate fund and may only be used in accordance with section 11 of article X of the Constitution of North Dakota and an incorporated city may use the fund for the construction, reconstruction, repair, and maintenance of public highways within or outside the city pursuant to an agreement entered into between the city and any other political subdivision as authorized by section 54-40-08.

Section 54-27-19(1) provides for 61.3 percent of the funds from the highway tax distribution fund be transferred to DOT for deposit in the state highway fund. Section 24-02-37(1) provides, except for investment income, the money of the state highway fund must be applied in the following priority:

a. The cost of maintaining the state highway system.

b. The cost of construction and reconstruction of highways in the amount necessary to match, in whatever proportion may be required, federal aid granted to this state by the United States government for road purposes in North Dakota. Notwithstanding any other provision of law, the department of transportation may repay the United States department of transportation for previous related expenditures from current biennium appropriations to allow the department to reobligate the federal aid to other federal aid projects.

c. Any portion of the highway fund not allocated as provided in subdivisions a and b may be expended for the construction of state highways without federal aid or may be expended in the construction, improvement, or maintenance of such state highways.

Section 54-27-19(2) requires 2.7 percent of the funds from the highway tax distribution fund to be deposited in the township highway fund. Section 54-27-19.1 directs the state treasurer to distribute the money to the counties of the state based on the length of township roads in each county compared to the length of all township roads in the state. To receive any funds, organized townships must provide 50 percent matching funds. Each county treasurer is required to allocate the funds received to the organized townships in the county which provide 50 percent matching funds based on the length of township roads in each of those organized townships compared to the length of all township roads in the county. The funds received must be deposited in the township road and bridge fund and used for highway and bridge purposes. If a county does not have organized townships, or has some organized and some unorganized townships, the county is required to retain a pro rata portion of the funds received based on the length of roads in unorganized townships compared to the length of township roads in organized townships in the county.

Section 54-27-19(3) allocates 1.5 percent of the funds from the highway tax distribution fund to the public transportation fund. Section 39-04.2-04 provides money in the public transportation fund must be disbursed under guidelines issued by the director of DOT and must be used by transportation providers to establish and maintain public transportation, especially for the elderly and handicapped. In addition the money may be used to contract to provide public transportation, as matching funds to procure money from other sources for public transportation and for other expenditures authorized by the director.

Motor Vehicle Fuel Tax

Prior to 1983, the motor vehicle fuel excise tax was 8 cents per gallon on motor vehicle fuel sold. The 1983 Legislative Assembly repealed Chapter 57-54 relating to motor vehicle fuel tax and created Chapter 57-43.1 to consolidate the provisions of the motor fuel tax law and the importers for use tax law. Section 1 of 1983 House Bill No. 1539 impose a 13 cents per gallon tax for all motor vehicle fuel sold except on motor vehicle fuel sold containing a minimum of 10 percent agricultural ethyl or methanol, which was taxed as shown in the following table:

Exception Effective Dates	Tax Rate Per Gallon
Through December 31, 1983	$0.09
January 1, 1984 through December 31, 1984	$0.08
January 1, 1985 through December 31, 1985	$0.07
January 1, 1986 through June 30, 1992	$0.09
July 1, 1992	$0.13

The 1985 Legislative Assembly, in Section 1 of Senate Bill No. 2296, changed the language from agricultural ethyl or methanol to "a qualifying alcohol," adjusted the motor fuel tax on motor vehicle fuel sold containing a minimum of 10 percent agricultural ethyl or methanol as shown in the following table:

Exception Effective Dates	Tax Rate Per Gallon
July 1, 1985 through June 30, 1987	$0.05
January 1, 1987 through December 31, 1992	$0.09
January 1, 1993	$0.13

The 1987 Legislative Assembly, in Section 9 of Senate Bill No. 2557, increased the motor vehicle fuel tax from 13 cents per gallon to 17 cents per gallon for all motor vehicle fuel sold.

The 1989 Legislative Assembly, in Section 2 of Senate Bill No. 2029, increased the motor vehicle fuel tax from 17 cents per gallon to 20 cents per gallon for all motor vehicle fuel sold. Referred measure was disapproved on December 5, 1989, leaving the motor vehicle fuel tax rate at 17 cents per gallon.

The 1991 Legislative Assembly, in Section 2 of House Bill No. 1575, removed Section 57-43.1-02(2) relating to the exception from the motor vehicle fuel tax for motor vehicle fuels containing a minimum of 10 percent of qualifying alcohol.

The 1997 Legislative Assembly, in Section 1 of House Bill No. 1163, increased the motor vehicle fuel tax from 17 cents per gallon to 20 cents per gallon for all motor vehicle fuel sold.

The 1999 Legislative Assembly, in Section 2 of House Bill No. 1183, increased the motor vehicle fuel tax from 20 cents per gallon to 21 cents per gallon for all motor vehicle fuel sold.

The 2005 Legislative Assembly, in Section 12 of Senate Bill No. 2012, increased the motor vehicle fuel tax from 21 cents per gallon to 23 cents per gallon for all motor vehicle fuel sold. Section 2 of House Bill No. 1478, created a new subsection to Section 57-43.1-02, imposing a 1 cent per gallon motor vehicle fuel tax on E85 fuel effective after June 30, 2005, through the month in which a cumulative total of 1.2 million gallons of E85 fuel has been reported to the tax commissioner and after that date is ineffective.

Special Fuels Excise Tax

The 1983 Legislative Assembly also repealed Chapter 57-52 relating to special fuels excise tax and created Chapter 57-43.2 to consolidate the provisions of the Special Fuels Tax Act, the special fuels tax levy, the Importers for Use Tax Act, and the aviation fuel tax. Section 1 of House Bill No. 1072 (1983) created Chapter 57-43.2 related to special fuels taxes and imposed an excise tax of 8 cents per gallon on the sale or delivery of special fuel with some exceptions and an excise tax of 2 cents per gallon on the exempt items in Section 57-43.2-02. Section 1 of House Bill No. 1539 amended Section 1 of House Bill No. 1072 to increase the special fuels excise tax from 8 cents per gallon to 13 cents per gallon.

The 1985 Legislative Assembly, in Section 1 of House Bill No. 1248, amended the definition of special fuel to include compressed natural gas.

The 1987 Legislative Assembly, in Section 10 of Senate Bill No. 2557, increased the special fuels excise tax from 13 cents per gallon to 17 cents per gallon.

The 1989 Legislative Assembly, in Section 3 of Senate Bill No. 2029, increased the special fuels excise tax from 17 cents per gallon to 19 cents per gallon. Referred measure was disapproved on December 5, 1989, leaving the special fuels excise tax rate at 17 cents per gallon.

The 1997 Legislative Assembly, in Section 12 of House Bill No. 1311, removed exemptions from the 17 cents per gallon on special fuels. Section 2 of House Bill No. 1163 increased the special fuels excise tax from 17 cents per gallon to 20 cents per gallon.

The 1999 Legislative Assembly, in Section 3 of House Bill No. 1183, increased the special fuels excise tax from 20 cents per gallon to 21 cents per gallon.

The 2001 Legislative Assembly, in Section 3 of Senate Bill No. 2454, amended Section 57-43.2-02 regarding special fuels excise taxes to authorize a reduction of one and five-hundredths cents per gallon on the sale or delivery of diesel fuel that contains at least 2 percent biodiesel fuel by weight.

The 2005 Legislative Assembly, in Section 14 of Senate Bill No. 2012, amended Section 57-43.2-02 regarding special fuels excise taxes to increase the special fuels excise tax from 21 cents per gallon to 23 cents per gallon effective after June 30, 2005.

Motor Vehicle Registration Fees

Motor vehicle registration fees are assessed based on Chapter 39-04 and vary by vehicle type and vehicle weight. Motor vehicles required to be registered in this state must be furnished license plates upon the payment of an initial fee of $10 for plates. Motor vehicle registration fees were last changed in 2005, which increased fees for all weight classes by $10.

ANALYSIS OF THE LEGACY FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Estimated beginning balance		$4,630,254,963		$5,856,870,960
Add estimated revenues				
Oil and gas gross production and extraction tax collections (30 percent of collections)	$1,226,615,997[1]		$1,254,927,345[1]	
Investment earnings (losses)	300,000,000[2,3]		300,000,000[2,3]	
Total estimated revenues		1,526,615,997		1,554,927,345
Total estimated available		$6,156,870,960		$7,411,798,305
Less estimated expenditures and transfers				
Transfer of realized earnings accruing after June 30, 2017, to the general fund	$300,000,000[3,4]		$300,000,000[3,4]	
Expenditure of principal	0[4]		0[4]	
Total estimated expenditures and transfers		300,000,000		300,000,000
Estimated ending balance		$5,856,870,960		$7,111,798,305

[1]Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through October 2018. The estimated allocations for the remainder of the 2017-19 biennium and the estimated allocations for the 2019-21 biennium are based on the December 2018 executive budget revenue forecast.

[2]Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides that the investment earnings are the realized earnings of the fund. The schedule below provides more detail on the investment earnings since the 2011-13 biennium.

	2011-13 Biennium Actual	2013-15 Biennium Actual	2015-17 Biennium Actual	2017-19 Biennium Estimated	2019-21 Biennium Estimated
Realized earnings (losses)	$18,520,564	$145,255,008	$273,064,100	$300,000,000	$300,000,000
Unrealized earnings (losses)	(12,004,313)	67,871,752	252,305,388	0	0
Total investment earnings (losses)	$6,516,251	$213,126,760	$525,369,488	$300,000,000	$300,000,000

The investment earnings (losses) for the legacy fund for the 2017-19 biennium through October 31, 2018, were approximately $200 million, including realized earnings (losses) of $286 million and unrealized earnings (losses) of ($86 million).

[3]The amounts shown reflect the executive budget revenue forecast, which are based on estimates from the Retirement and Investment Office. The 2017 legislative forecast prepared at the close of the 2017 legislative session included $200 million of estimated investment earnings for the 2017-19 biennium pursuant to House Bill No. 1015 (2017).

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

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

The executive budget recommends the following 2019-21 biennium appropriations from the general fund derived from legacy fund earnings transferred to the general fund:

Description	Amount
Transfer to the infrastructure revolving loan fund	$55,000,000
Transfer to the school construction assistance revolving loan fund	25,000,000
Transfer to the Research North Dakota fund	20,000,000
North Dakota University System - Challenge grants	40,000,000
Department of Career and Technical Education - Establishment of career academies for workforce development	30,000,000
Department of Human Services - Construction of a new state hospital building	35,000,000
Adjutant general - Construction of a National Guard training center at Camp Grafton	15,000,000
Department of Commerce - Theodore Roosevelt Presidential Library	50,000,000
Department of Commerce - Unmanned aircraft systems statewide infrastructure network	30,000,000
Total	$300,000,000

FUND HISTORY

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

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

ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance, excluding infrastructure revolving loan fund		$306,411,028		$331,595,984
Add estimated revenues				
Oil extraction tax collections	$351,524,583[1]		$370,032,404[1]	
Repayments and reimbursements	12,324,400		13,568,805	
Investment earnings/Miscellaneous income	10,185,973		4,492,000	
Total estimated revenues		374,034,956		388,093,209
Total available		$680,445,984		$719,689,193
Less funds designated for the infrastructure revolving loan fund (North Dakota Century Code Section 61-02-78)	$0[2]		$0[2]	
Less estimated expenditures and transfers				
State Water Commission - Grants, projects, and project administration, pursuant to 2017 HB 1020 and executive budget recommendation for the 2019-21 biennium	345,650,000[3]		710,749,000[4]	
Total estimated State Water Commission expenditures and loans		345,650,000		710,749,000
Transfer to renewable energy development fund (Section 57-51.1-07)	$3,000,000[5]		$3,000,000[5]	
Transfer to energy conservation grant fund (Section 57-51.1-07)	200,000[5]		1,200,000[5]	
Total estimated transfers		3,200,000		4,200,000
Estimated ending balance, excluding funds designated for infrastructure revolving loan fund		$331,595,984		$4,740,193

[1]Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through October 2018. The estimated allocations for the remainder of the 2017-19 biennium and the estimated allocations for the 2019-21 biennium are based on the December 2018 executive budget revenue forecast.

[2]House Bill No. 1020 (2017) amended Section 61-02-78 to provide no more than $26 million of total resources trust fund revenue may be allocated to the infrastructure revolving loan fund. As a result, excess transfers of $8,440,473 were returned to the resources trust fund during the 2017-19 biennium and there will be no more transfers to the infrastructure revolving loan fund.

Infrastructure Revolving Loan Fund Share of Oil Extraction Tax Collections	
	Infrastructure Revolving Loan Fund Transfers
2013-15 biennium	$11,407,864
2015-17 biennium	23,032,609
2017-19 biennium	(8,440,473)
Total	$26,000,000[1]

[1]Loans outstanding as of November 30, 2018, totaled $23,583,208.

[3]Sections 1 and 3 of House Bill No. 1020 (2017) appropriate $542,515,358 or any additional funding that becomes available, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2017-19 biennium.

[4]The executive budget recommendation includes $710,749,000 from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2019-21 biennium.

[5]The Legislative Assembly in Senate Bill No. 2014 (2013) authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to $3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to $1.2 million per biennium. Funds in the energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. House Bill No. 1020 (2017) reduced the resources trust fund allocation to the renewable energy development fund from 5 to 3 percent and the maximum allocation to the energy conservation grant fund from $1.2 million to $200,000 for the 2017-19 biennium and restored the maximum allocation to the energy conservation grant fund to $1.2 million after July 31, 2019.

INFRASTRUCTURE REVOLVING LOAN FUND HISTORY

The infrastructure revolving loan fund was created by the 2013 Legislative Assembly in Senate Bill No. 2233, which became effective on January 1, 2015. The bill established an infrastructure revolving loan fund within the resources trust fund. The bill provided 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission with a fixed interest rate of 1.5 percent and administered by the Bank of North Dakota. Annually, the Bank receives .5 percent of the balance of issued loans to cover costs associated with administering the loans. The fund beginning balance and revenue earned in a biennium are carried over from biennium to biennium within the resources trust fund. House Bill No. 1020 (2017) provided the maximum to be allocated to the infrastructure revolving loan fund is **$26 million**.

RESOURCES TRUST FUND HISTORY

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

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

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

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

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

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

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

The 2013 Legislative Assembly in Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to $3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to $1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. In addition, effective January 1, 2015, the Legislative Assembly, in Senate Bill

No. 2233 (2013), established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota. House Bill No. 1020 (2017) reduced the allocation to the renewable energy development fund from 5 to 3 percent and the maximum allocation to the energy conservation grant fund from $1.2 million to $200,000 for the 2017-19 biennium, restored the maximum allocation to the energy conservation grant fund to $1.2 million after July 31, 2019, and provided for a $26 million maximum allocation of resources trust fund revenues to the infrastructure revolving loan fund.

The 2015 Legislative Assembly in Senate Bill No. 2020, directed the State Water Commission to refinance all remaining bonds through the Bank of North Dakota and to continue annual loan payments on the newly refinanced bonds. The State Water Commission refinanced the bonds with the Bank on July 29, 2015, in the amount of $45,840,221 at a variable interest rate of 1.75 percent. The Bank loan will mature on June 30, 2030.

ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Beginning balance		$0		$0
Add estimated revenues				
Sales, use, and motor vehicle excise taxes (based on 43.5 percent of an equivalent one-cent sales tax effective July 1, 2014)	$190,755,118		$207,151,383[1]	
Total estimated revenues		190,755,118		207,151,383
Total available		$190,755,118		$207,151,383
Less estimated expenditures and transfers				
Payments to political subdivisions				
County share (53.7 percent)	$102,435,498		$111,240,293	
City share (46.3 percent)	88,319,620		95,911,090	
Total estimated expenditures and transfers		190,755,118		207,151,383
Estimated ending balance		$0		$0

[1]The amounts shown reflect actual revenue collections deposited in the fund through October 2018. The estimated revenue for the remainder of the 2017-19 biennium and the estimated collections for the 2019-21 biennium are based on the November 2018 executive revenue forecast.

FUND HISTORY

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

The 1997 Legislative Assembly amended Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of an equivalent one-cent sales tax instead of an amount equal to 60 percent of an equivalent one-cent sales tax. In addition a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions. Senate Bill No. 2325 (2013) provides that effective July 1, 2014, deposits into the state aid distribution fund be based on an amount equal to 43.5 percent of an equivalent one-cent sales tax instead of an amount equal to 40 percent of an equivalent one-cent sales tax.

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

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

Population Category Through June 30, 2011			
Counties	**Percentage**	**Cities (Based on Population)**	**Percentage**
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
Total	100.00%		100.0%

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

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

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

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

ANALYSIS OF THE STRATEGIC INVESTMENT AND IMPROVEMENTS FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-21 Biennium	
Estimated beginning balance		$374,001,957		$751,625,898
Add estimated revenues				
Production royalties (2017 SB 2134)[1,2]	$187,955,181		$210,000,000	
Mineral leases[1]	454,439		550,000	
Oil and gas bonuses[1]	4,061,514		4,000,000	
Investment earnings[1]	20,788,098		40,000,000	
Oil and gas tax collections (2017 HB 1152; 2017 SB 2013)[3,4]	752,958,329		271,393,654	
Transfer from political subdivision allocation fund (2017 SB 2013)[5]	7,660,518		0	
Unspent appropriations from prior bienniums returned to fund	100,000		0	
Total estimated revenues		973,978,079		525,943,654
Total estimated available		$1,347,980,036		$1,277,569,552
Less estimated expenditures and transfers				
Secretary of State				
Voting system information technology project (executive budget)			$8,000,000	
Office of Management and Budget				
Litigation funding pool (executive budget)			4,000,000	
Comprehensive real estate assessment (executive budget)			2,430,000	
Transfer to preliminary planning revolving loan fund (executive budget)			1,000,000	
Information Technology Department				
Radio network and cybersecurity information technology projects (executive budget)			66,050,000	
State Treasurer				
Transfer to energy impact fund (2017 SB 2013)	$3,000,000			
Attorney General				
Contingent court-ordered payments to a bankruptcy estate (2017 HB 1024)	15,872,000			
Domestic violence and sexual assault examiner grants (2017 SB 2191)	150,000			
North Dakota University System				
Online curriculum development (executive budget)			5,000,000	
North Dakota State University				
Dunbar Hall project (executive budget)			25,675,000	
Valley City State University				
McCarthy Hall renovations and Foss Hall demolition projects (executive budget)			2,900,000	
State Department of Health				
Federal litigation costs (2017 SB 2004)	500,000			
Implementation of air pollution control primacy (executive budget)			1,040,000	
Laboratory repairs (executive budget)			1,220,000	
Department of Human Services				
Medicaid and child welfare information technology projects (executive budget)			4,720,030	
Capital projects and extraordinary repairs (executive budget)			5,570,665	

Industrial Commission				
Federal litigation costs (2017 SB 2014)	1,000,000			
Transfer to the lignite research fund (2017 SB 2014)	3,000,000			
Limited survey review contract related to mineral revenue disputes (2017 SB 2134)	800,000			
Oil database information technology project (executive budget)			5,000,000	
Rare earth elements and fracturing sand studies (executive budget)			270,000	
Public Service Commission				
Litigation costs (2017 HB 1008)	100,000			
Aeronautics Commission				
Airport grants (executive budget)			22,000,000	
Housing Finance Agency				
Transfer to housing incentive fund (executive budget)			20,000,000	
Highway Patrol				
Equipment (2017 SB 2011)	358,000			
Indoor shooting range addition project (executive budget)			1,220,000	
Department of Emergency Services				
Mobile radios and programming radios (2017 HB 1016)	300,000			
Department of Corrections and Rehabilitation				
Electronic medical records information technology project (2017 SB 2015)	935,907			
Various information technology projects (executive budget)			665,000	
Equipment and a facility assessment (executive budget)			3,746,077	
Adjutant General				
Dispatch system information technology project (executive budget)			1,902,253	
Department of Commerce				
Enhanced use lease grant (2015 HB 1018; 2017 SB 2018)	2,000,000			
Grant for unmanned aerial systems (2017 SB 2018)	2,000,000			
Base retention grants (2017 SB 2018)	600,000			
Unmanned aircraft system infrastructure			3,000,000	
Tribal college grants and rural nursing grants (executive budget)			1,600,000	
Innovate North Dakota program (executive budget)			4,000,000	
2020 census marketing (executive budget)			1,000,000	
Department of Agriculture				
Transfer to environmental law impact review fund (2017 HB 1009)	1,000,000			
NDSU Main Research Center				
Extraordinary repairs (executive budget)			1,440,465	
Parks and Recreation Department				
Various capital projects (executive budget)			1,755,000	
International Peace Garden capital projects (executive budget)			5,000,000	
Department of Transportation				
Driver's license and traffic system information technology projects (executive budget)			39,626,547	
Transfer to the general fund (2017 HB 1024)	248,000,000			
Transfer to budget stabilization fund (executive budget)	315,039,140			
Transfer to public employees retirement fund (executive budget)			265,000,000	
Mineral revenue repayments from reserves (2017 SB 2134)[2]	0			

Administrative costs/other fees	1,699,091		2,400,000	
Total estimated expenditures and transfers		596,354,138		507,231,037
Ending balance		$751,625,898		$770,338,515
Restricted fund income				
Reserve relating to potential title disputes (2017 SB 2134)[2,6]		229,325,049		229,325,049
Loan guarantees (2011 SB 2306; 2013 SB 2287)[7]		13,381,990		13,382,000
Estimated ending balance - Unobligated		$508,918,859		$527,631,466

[1]The amounts shown reflect projections by the Department of Trust Lands for the 2017-19 and 2019-21 bienniums based on actual revenues through October 2018.

[2]Senate Bill No. 2134 (2017) changes the definition of sovereign minerals, reducing the mineral revenue to the strategic investment and improvements fund and requiring repayments for previously received mineral revenues. The bill appropriates $100 million from the strategic investment and improvements fund and authorizes $87 million from a line of credit through the Bank of North Dakota for the mineral revenue repayments. The amount shown for the production royalties for the 2017-19 biennium includes an estimated $30 million related to mineral revenue disputes, which may be deposited in the strategic investment and improvements fund prior to the implementation of the repayment process. The $30 million is included in the $187 million authorized for mineral revenue repayments. The bill provides legislative intent that the $87 million line of credit to be repaid from the strategic investment and improvements fund; however, the total amount of funding needed for mineral revenue repayments is unknown and any changes to the amount of funding or the line of credit repayments will be determined by future Legislative Assemblies.

[3]Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through October 2018. The estimated allocations for remainder of the 2017-19 biennium and the estimated allocations for the 2019-21 biennium are based on the December 2018 executive budget revenue forecast.

[4]House Bill No. 1152 (2017) changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, resulting in a decrease in the allocations to the strategic investment and improvements fund. Senate Bill No. 2013 (2017) changes the allocations to hub cities, hub city school districts, the North Dakota outdoor heritage fund, the abandoned oil and gas well plugging and site reclamation fund, and the oil and gas impact grant fund resulting in an increase to the allocations under the state's share.

The December 2018 executive recommendation includes changing the allocation of the state's share of oil and gas tax revenues to increase the general fund share to $1 billion, resulting in a decrease in the allocations to the strategic investment and improvements fund. Based on the executive budget, the state's share of oil and gas tax collections are estimated to be $1,474 million for the 2017-19 biennium, including allocations of $1 billion to the general fund, $200 million to the tax relief fund, $3 million to the lignite research fund, and $271 million to the strategic investment and improvements fund.

[5]The Legislative Assembly created the political subdivision allocation fund in House Bill No. 1377 (2015), to provide additional allocations from oil and gas tax collections to political subdivisions. In Senate Bill No. 2013 (2017), the Legislative Assembly provided that instead of allocating the funds to political subdivisions, the funds be transferred to the newly created energy impact fund and to the strategic investment and improvements fund.

[6]These amounts represent mineral revenues received from areas of the Yellowstone and Missouri Rivers and Lake Sakakawea where mineral rights are in dispute. Pursuant to action of the Board of University and School Lands, this portion of the fund balance is designated to be held in reserve.

[7]Senate Bill No. 2287 (2013) increased the guarantee reserve fund balance from 25 to 100 percent, not to exceed a total of $25 million, through July 31, 2015. After July 31, 2015, the amount of reserves for all guaranteed loans must be determined by a formula that will provide an adequate amount of reserves as determined by the Bank of North Dakota. Money may be transferred from the strategic investment and improvements fund to reimburse lenders for guaranteed loans in default.

FUND HISTORY

House Bill No. 1451 (2011) provided the lands and minerals trust fund be renamed the strategic investment and improvements fund, and as soon as feasible after June 30, 2011, the state treasurer close out the lands and minerals trust fund and transfer any remaining unobligated balance to the strategic investment and improvements fund. The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred to the Board of University and School Lands possessory interest in properties obtained by the Bank of North Dakota, including tracts of real property and reserved mineral interests.

All income from the sale, lease, and management of the mineral interests relating to these properties is deposited in the strategic investment and improvements fund, pursuant to North Dakota Century Code Section 15-08.1-08. The principal and interest of the fund may be used for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. Money in the fund may be included in draft appropriation Acts under Section 54-44.1-06 and may be appropriated by the Legislative Assembly, but only to the extent the money is estimated to be available at the beginning of the biennium in which the appropriations are authorized.

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

ANALYSIS OF THE TAX RELIEF FUND FOR THE 2017-19 AND 2019-21 BIENNIUMS (REFLECTING THE 2019-21 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2017-19 Biennium		2019-20 Biennium	
Beginning balance		$300,000,000		$182,300,000
Add estimated revenues				
Allocation of oil and gas tax revenues	$200,000,000[1]		$200,000,000[1]	
Total estimated revenues		200,000,000		0
Total available		$500,000,000		$382,300,000
Less estimated expenditures and transfers				
Transfer to general fund (Section 10 of 2017 HB 1015 and executive budget recommendation for the 2019-21 biennium)	$183,000,000			
Transfer to social services finance fund (Section 20 of 2017 SB 2206 and executive budget recommendation for the 2019-21 biennium)	134,700,000		$182,300,000[2]	
Total estimated expenditures and transfers		317,700,000		182,300,000
Estimated ending balance		$182,300,000		$200,000,000

[1]Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through November 2018. The estimated allocations for the remainder of the 2017-19 biennium and the estimated allocations for the 2019-21 biennium are based on the December 2018 executive budget revenue forecast.

[2]The executive budget recommends continuing the state-paid economic assistance and social services program.

FUND HISTORY

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

Section 15.1-27-45, as created by Section 40 of House Bill No. 1013 (2013), changed the name of the property tax relief sustainability fund to the property tax relief fund, but only for the 2013-15 biennium. House Bill No. 1377 (2015) repealed Sections 15.1-27-45 and 57-64-05 and amended Section 57-51.1-07.5 to change the name of the property tax relief sustainability fund to the tax relief fund and decreased the amount of the state's share of oil and gas tax revenue deposited in the fund from $341.79 million per biennium to $300 million per biennium. House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to decrease the amount of the state's share of oil and gas tax revenue deposited in the fund from $300 million per biennium to $200 million per biennium.