

State of North Dakota

2005-07 Biennium

LEGISLATIVE APPROPRIATIONS



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ACKNOWLEDGMENTS

The staff of the Administrative and Fiscal Management Divisions of OMB deserve special thanks for meeting the challenge of this executive budget.

Those very dedicated and professional individuals are:

Celeste Kubasta

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FINANCIAL HIGHLIGHTS**General Fund****2003-05**

The 2003-05 biennium began with a general fund balance of \$14.8 million. The biennium is anticipated to end with a general fund balance of \$65.0 million. However, the ending balance would have been \$129.5 million if it were not for the provisions of North Dakota Century Code (NDCC) Section 54-27.2-02. Section 54-27.2-02 provides that any end of biennium balance in the general fund in excess of \$65.0 million shall be transferred to the budget stabilization fund. The budget stabilization fund is available to be transferred to the general fund in the event revenues are estimated to be 2.5 percent less than included in the legislative forecast.

The potential general fund balance before transfers to the budget stabilization fund is \$119.2 million more than estimated at the close of the 2003 legislative session. This significant increase is primarily the result of two factors: sales and use tax collections exceeded original estimates by over \$48.2 million and federal fiscal relief payments of \$56.5 million were received by the state and deposited in the general fund.

Due to higher than anticipated oil prices, oil production and extraction tax collections exceeded original estimates by over \$46.3 million. However, pursuant to NDCC Section 57-51.1-07.2, all oil tax collections in excess of \$71.0 million must be transferred to the permanent oil tax trust fund. Consequently, the general fund share of oil tax collections is capped at \$71.0 million.

2005-07

The 2005-07 biennium will begin with a general fund balance of \$65.0 million, after transfers to the budget stabilization fund

pursuant to NDCC Section 54-27.2-02. The biennium is anticipated to end with a general fund balance of \$10.3 million.

Estimated revenues and transfers total \$1.935 billion, \$16.1 million more than the most recent estimates for the 2003-05 biennium. Recurring revenues are estimated to be \$73.8 million higher than the most current estimates for the 2003-05 biennium. Transfers and one time revenues are estimated to be \$57.7 million less than during the 2003-05 biennium.

When comparing the final revised forecast for the 2003-05 biennium and the legislative forecast for the 2005-07 biennium, the most significant increases among recurring revenue types are relating to sales and use taxes, which are anticipated to grow by \$39.7 million and individual income taxes, which are anticipated to grow by \$28.0 million.

One-time 2003-05 biennium revenues from federal fiscal relief payments amounting to \$56.5 million were offset in the 2005-07 biennium by a \$55.3 million transfer from the permanent oil tax trust fund.

As was the case during the 2003-05 biennium, general fund oil tax collections are limited to \$71.0 million for the 2005-07 biennium. It is estimated that by the end of the biennium, the permanent oil tax trust fund will have accumulated at least \$10.6 million, even after transferring \$55.3 million to the general fund. The permanent oil tax trust fund balance will be available for appropriation by the 2007 Legislative Assembly.

In addition to the estimated \$10.3 million ending general fund balance and the estimated \$10.6 million balance in the permanent oil tax trust fund, the budget stabilization fund is estimated to have a balance of \$67.2 million by the end of the 2005-07 biennium.

Basis of Budget and Accounting

North Dakota's budget for general government operations is prepared on a modified accrual basis. Revenues are recorded when available and measurable and expenditures are recorded when the services or goods are received and the related liabilities are incurred.

The state's comprehensive annual financial report (CAFR) is also reported using the modified accrual basis of accounting for governmental funds. Governmental funds comprise the majority of the funds included in the state budget and legislative appropriation.

Proprietary funds use full accrual accounting. For the most part, proprietary funds are non-appropriated and therefore not part of the budget document. However, certain proprietary funds, such as the Bank of North Dakota, Housing Finance Agency, and Workforce Safety and Insurance, include agency administrative costs that are part of the state budget and consequently part of the legislative appropriation. The portion of these funds that is non-appropriated is not part of the state budget.

Regardless of the basis of accounting, the accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with generally accepted accounting principles (GAAP).

The CAFR includes a detailed reconciliation of the differences between budgetary revenues and expenses and actual revenues and expenses included in the CAFR in accordance with GAAP. Major differences are related to the following:

Revenue:

- The period of availability for revenue recognition for budget purposes differs from the GAAP basis.
- Certain amounts due from other funds are recorded under GAAP, but not for budget purposes.

Expenditures:

- Estimated liabilities are recorded as expenditures for GAAP, but not for budget purposes.
- New loans issued are expenditures for budget, but not for GAAP.
- GAAP expenditures are reduced for year-end inventory balances, budget expenditures are not.
- New capital leases are recorded as expenditures for GAAP, but not for budget.
- Non-appropriated transfers are expenditures for GAAP, but not for budget.
- Certain amounts due to other funds are recorded under GAAP, but not for budget purposes.
- Expenditures of non-appropriated funds are recorded under GAAP, but because of their non-appropriated status, are not budgeted.

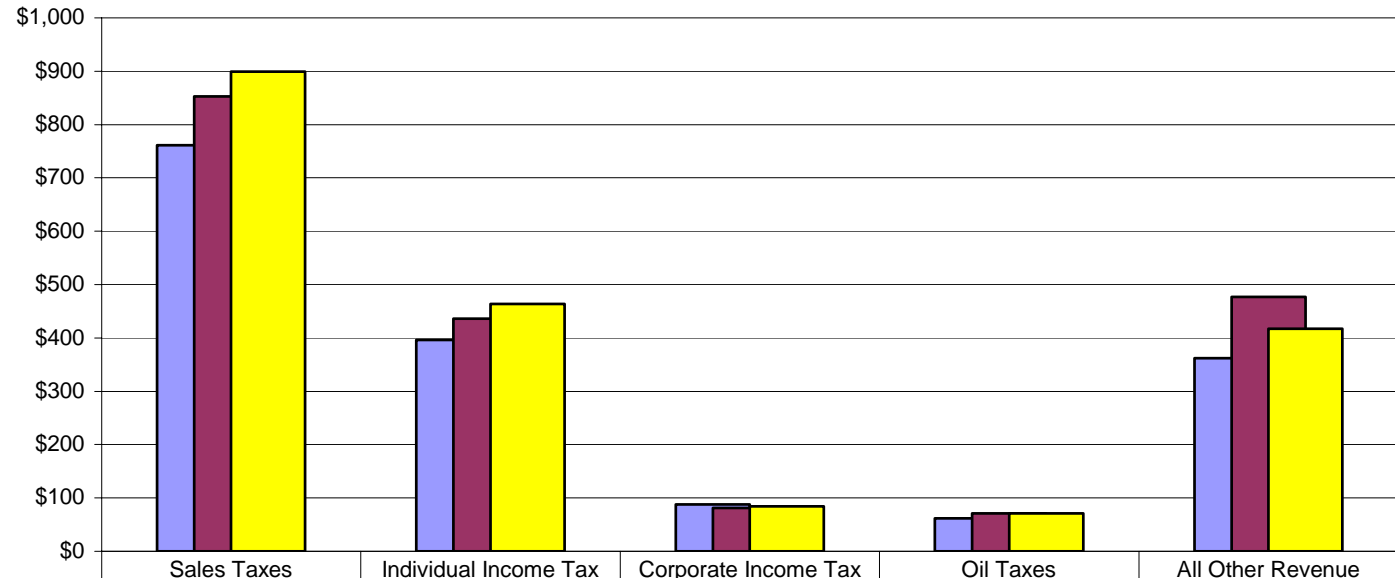
General Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$14,790,311	\$65,000,000
Revenue:		
Revenue forecast	\$1,862,198,280	\$1,934,748,154
Federal fiscal relief payments	56,456,581	
Total Revenue	<u>1,918,654,861</u>	<u>1,934,748,154</u>
Expenditures:		
Original general fund appropriations	(\$1,803,661,161)	(\$1,989,452,623)
Deficiency appropriations	(\$13,224,344)	
Transfer to the budget stabilization fund	(\$64,467,187)	
Estimated unspent authority	12,907,520	
Total Expenditures	<u>(1,868,445,172)</u>	<u>(1,989,452,623)</u>
Ending Balance	<u><u>\$65,000,000</u></u>	<u><u>\$10,295,531</u></u>

**STATE OF NORTH DAKOTA
COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE
FOR THE 2001-03 THROUGH 2005-07 BIENNIUMS**

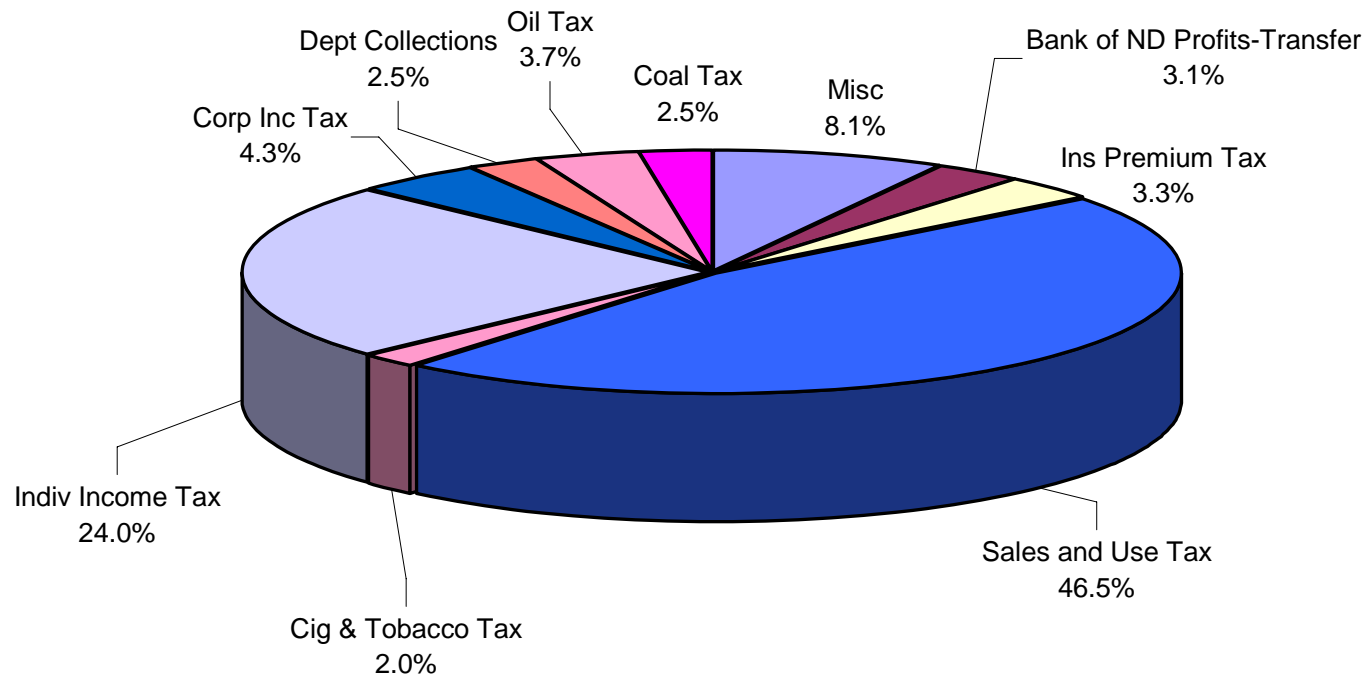
REVENUE SOURCE	ACTUAL 2001-03	FINAL REVISED FORECAST 2003-05	EXECUTIVE FORECAST 2005-07	NET LEGISLATIVE ADJUSTMENTS	LEGISLATIVE FORECAST 2005-07	CHANGE FROM 2003-05 FINAL TO 2005-07 LEGISLATIVE
Sales and Use Taxes	\$ 640,618,363	\$ 723,013,963	\$ 761,726,000	\$ 998,000	\$ 762,724,000	\$ 39,710,037
Motor Vehicle Excise Tax	119,592,232	130,062,758	134,704,000	1,429,400	136,133,400	6,070,642
Individual Income Tax	396,153,000	436,392,523	467,019,000	(2,672,000)	464,347,000	27,954,477
Corporate Income Tax	88,417,166	81,067,083	83,123,000	696,000	83,819,000	2,751,917
Financial Institut. Tax/Business Privilege Tax	6,257,389	5,246,071	5,200,000	(33,600)	5,166,400	(79,671)
Cigarette and Tobacco Tax	39,313,360	39,067,411	36,148,000	999,000	37,147,000	(1,920,411)
Oil and Gas Production Tax	39,159,000	44,757,000	47,270,000	(7,431,200)	39,838,800	(4,918,200)
Oil Extraction Tax	22,841,000	26,243,000	37,000,000	(5,838,800)	31,161,200	4,918,200
Coal Conversion Tax	46,878,511	47,829,816	48,719,000	114,000	48,833,000	1,003,184
Insurance Premium Tax	48,990,027	60,195,518	64,753,000	(1,116,000)	63,637,000	3,441,482
Wholesale Liquor Tax	11,155,834	11,819,958	12,277,000	23,000	12,300,000	480,042
Gaming Tax	27,612,652	21,393,000	20,130,000	-	20,130,000	(1,263,000)
Lottery	-	6,231,000	10,000,000	-	10,000,000	3,769,000
Departmental Collections	57,506,019	59,553,554	49,125,000	(579,979)	48,545,021	(11,008,533)
Interest Income	8,509,483	6,101,000	10,522,000	(52,000)	10,470,000	4,369,000
Mineral Leasing Fees	6,440,513	7,450,000	5,431,500	564,833	5,996,333	(1,453,667)
Transfers from Bank of North Dakota Profits	78,699,787	60,000,000	60,000,000	-	60,000,000	-
Student Loan Trust Fund Interest	9,000,000	26,258,969	9,000,000	-	9,000,000	(17,258,969)
Transfers from State Mill Profits	6,000,000	5,000,000	5,000,000	-	5,000,000	-
Gas Tax Administration	1,363,392	1,396,200	1,400,000	-	1,400,000	3,800
Federal Fiscal Relief Payments	-	56,456,581	-	-	-	(56,456,581)
Other Transfers **	15,370,511	63,119,456	21,900,000	57,200,000	79,100,000	15,980,544
TOTAL	\$ 1,669,878,239	\$ 1,918,654,861	\$ 1,890,447,500	\$ 44,300,654	\$ 1,934,748,154	\$ 16,093,293
** Other Transfers						
Land & Minerals Trust Fund	\$ 3,545,102	\$ 2,000,000	\$ 5,000,000	\$ 1,800,000	\$ 6,800,000	\$ 4,800,000
Permanent Oil Tax Trust Fund		11,910,000		55,300,000	55,300,000	43,390,000
Water Development Trust Fund	9,733,820	10,070,373		-		(10,070,373)
Bonding Fund		2,800,000		-		(2,800,000)
ITD Transfer of Accumulated Savings		79,278		-		(79,278)
Developmental Dis. Loan Sale	2,000,000			-		-
Compulsive Gambling fund				100,000	100,000	100,000
Health Care Trust Fund		35,911,035	16,900,000	-	16,900,000	(19,011,035)
Miscellaneous Transfers	91,589	348,770		-		(348,770)
Total Other transfers	\$ 15,370,511	\$ 63,119,456	\$ 21,900,000	\$ 57,200,000	\$ 79,100,000	\$ 15,980,544

**Comparison of General Fund Revenue by Major Source
For the 2001-03 Through 2005-07 Bienniums**



■ 2001-03 Actual Collections	\$761	\$396	\$88	\$62	\$362
■ 2003-05 Final Forecast	\$853	\$436	\$81	\$71	\$477
■ 2005-07 Legis Forecast	\$899	\$464	\$84	\$71	\$417

**General Fund Revenue by Major Source
2005-07 Biennium**



Bonding Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$5,134,541 \1	\$2,402,541 \1
Revenue:		
Premiums	\$0 \2	\$0 \2
Investment revenue	450,000 \3	550,000 \3
Claims restitution	65,000 \4	65,000 \4
Game & Fish revenue	7,000 \5	8,000 \5
Total Revenue	<u>522,000</u>	<u>623,000</u>
Expenditures:		
Loss claim payments	(400,000) \6	(250,000) \6
Claims payments	(19,000) \7	(20,000) \7
Appropriated-fund administration	(35,000)	(35,000)
Transfer to general fund	<u>(2,800,000)</u>	<u>0</u>
Total Expenditures	<u>(3,254,000)</u>	<u>(305,000)</u>
Ending Balance	<u><u>\$2,402,541</u></u>	<u><u>\$2,720,541</u></u>

- \1 Cash and investments, less securities lending collateral, from the 2003 comprehensive annual financial report (CAFR).
 \2 There have been no premiums assessed or payments received in this fund since 1953.
 \3 Investment revenue is based on historical data, current information, and projections of future market conditions.
 \4 Claims restitution to the fund from individuals based on historical data.
 \5 Game and Fish revenue from bonding fees for businesses selling game and fish licenses is based on historical data.
 \6 Loss claims payments is based on historical and current data, open claims reports, and actuarial projections.
 \7 Claims related payments include adjusting fees and all expenditures directly related to a specific claim.

Notes:

The bonding fund was created in 1915 and is maintained for bond coverage of public employees. The bonding fund is managed by the Insurance Commissioner. The amount of coverage provided to each state agency, department, industry, and institution is determined by the commissioner, based upon the amount of money and property handled, and the opportunity for default. North Dakota Century Code Section 26.1-21-09 provides that premiums for bond coverage are to be determined by the Insurance Commissioner but can be waived if the bonding fund balance is in excess of \$2.5 million.

Budget Stabilization Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$0	\$64,467,187
Revenue		
Transfer from general fund	64,467,187	
Interest		2,690,000
Total revenue	64,467,187	2,690,000
	\1	\1
Transfers to general fund	0	0
	\2	\2
Ending Balance	\$64,467,187	\$67,157,187

- \1 Based on the March 2005 legislative revenue forecast, which shows an estimated June 30, 2005, ending general fund balance of \$129.5 million. Pursuant to NDCC Section 54-27.2-02 the June 30, 2005 general fund balance in excess of \$65.0 million, which is currently estimated to be \$64,467,187, will be transferred to the budget stabilization fund at the end of the 2003-05 biennium.
- \2 Pursuant to NDCC Section 54-27.2-01, the State Investment Board manages the budget stabilization fund and any interest earned is deposited in the fund until the maximum balance allowed by statute (5 percent of the current general fund budget) is reached.
- \3 No transfers from the budget stabilization fund to the general fund are anticipated during the 2003-05 or 2005-07 bienniums. Transfers will only take place if general fund revenue projections indicate a shortfall of at least 2.5 percent, pursuant to NDCC Section 54-27.2-03.

Notes:

The budget stabilization fund is a statutory fund created in 1987. NDCC Section 54-27.2-02 provides that any end of biennium balance in the general fund in excess of \$65.0 million must be transferred to the budget stabilization fund.

Pursuant to NDCC Section 54-27.2-01, the fund is limited to no more than 5 percent of the current biennial state general fund budget. Any deposits or interest that would otherwise be deposited or retained in the fund must instead be deposited in the general fund once the maximum balance is reached. Based on the 2005-07 biennium general fund budget enacted by the 2005 Legislative Assembly, the budget stabilization fund is limited to no more than \$99.5 million.

Section 54-27.2-03 provides that if general fund revenues are projected to be at least 2.5 percent less than included in the legislative revenue forecast, the Governor may order a transfer from the budget stabilization fund to the general fund.

Community Health Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$5,753,089	\$4,334,394
Revenue:		
Tobacco revenue	4,631,002	4,594,414
Expenditures:		
Dental loan fund	(\$300,000)	(\$420,000)
Tobacco Quitline	(550,000)	(884,000)
Statewide tobacco commission	(100,000)	(211,000) \1
City/County & State Employee Cessation	(80,000)	(395,000)
Local health and tobacco programs	(4,700,000)	(4,700,000)
DHS breast & cervical cancer	(319,697)	(254,356)
Total Expenditures	(6,049,697)	(6,864,356)
Ending Balance	\$4,334,394	\$2,064,452

\1 Includes funding of \$111,000 for 1.00 FTE as a tobacco coordinator for grants management.

Notes:

The community health trust fund originated in 1999. The purpose of the fund is to provide for public health programs, including those emphasizing prevention or reduction of tobacco usage in this state. The revenue source for the community health trust fund is the tobacco settlement trust fund (North Dakota Century Code Section 54-27-25). All tobacco settlement monies received by the state are to be deposited in the tobacco settlement trust fund. Monies in the fund must be transferred as follows, within 30 days of deposit in the fund:

- 10% to the community health trust fund
- 45% to the common schools trust fund
- 45% to the water development trust fund

The community health trust fund is to be administered by the Department of Health which may use monies in the fund subject to legislative appropriation.

Fire and Tornado Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$16,263,796 ^{\1}	\$21,624,220
Revenue:		
Premium revenue	\$9,000,000 ^{\2}	\$9,200,000 ^{\2}
Investment revenue	2,600,000 ^{\3}	2,600,000 ^{\3}
Claims recovery	750,000 ^{\4}	1,000,000 ^{\4}
Boiler inspection fee	350,000	375,000
Transfer In-Dept. of Agric.-Anhydrous Inspect.	175,000	150,000
Total Revenue	12,875,000	13,325,000
Expenditures:		
Insurance claims	(3,000,000) ^{\5}	(4,250,000) ^{\5}
Claims related payments	(3,200,000) ^{\6}	(3,500,000) ^{\6}
Appropriated-fund administration	(988,576)	(1,138,576)
Fire Marshal inspection fees	(200,000)	(350,000)
ND Firefighter's Association	(126,000)	(126,000)
Total Expenditures	(7,514,576)	(9,364,576)
Ending Balance	\$21,624,220	\$25,584,644

\1 Cash and investments, less securities lending collateral, from 2003 Comprehensive Annual Financial Report (CAFR).

\2 Premium revenue is projected using historical data, volume of activity, and premium changes calculated by the actuary.

\3 Investment revenue is based on current financial statements and projections by the Retirement & Investment Office.

\4 Claims recovery is re-insurance purchased through an insurance company to cover claims that exceed a specific amount per incident. The amount recovered from the insurance company falls into this revenue category. Projection is based on historical data, open claims and current cost factors.

\5 Insurance claims expense is based on historical and current data, open claims reports, and actuarial reports.

\6 Claims related payments include claim adjusting fees and premium payments for re-insurance.

Notes:

The state fire and tornado fund originated in 1919. The fund is maintained to ensure the various political subdivisions and state industries against loss to public buildings and permanent fixtures. NDCC Section 16.1-22-14 requires that if the fire and tornado fund balance is less than \$12.0 million, the Insurance Commissioner must increase assessment on policies.

Foundation Aid Stabilization Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$8,991,303 ^{\1}	\$15,856,537
Revenue:		
Oil extraction tax allocations	6,865,234 ^{\2}	8,217,778 ^{\3}
Expenditures:		
Transfer to state school aid program	<u>0</u>	<u>0</u>
Ending Balance	<u><u>\$15,856,537</u></u>	<u><u>\$24,074,315</u></u>

^{\1} Actual July 1, 2003 balance.

^{\2} Based on actual oil extraction tax allocations through April 30, 2005, and estimated allocations for the remainder of the biennium (based on the March 2005 legislative revenue forecast).

^{\3} Based on the March 2005 legislative revenue forecast.

Notes:

The foundation aid stabilization fund was created in 1994 upon voter approval of Article X, Section 24 of the Constitution of North Dakota. Section 24 provides that 20% of oil extraction taxes are to be allocated as follows:

50% to the common schools trust fund.

50% to the foundation aid stabilization fund.

Section 24 also provides that interest from the foundation aid stabilization fund must be transferred to the general fund; the principal can only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. NDCC Section 54-44.1-12 provides that in the case of an allotment, all agencies that receive monies from a fund must be allotted on a uniform basis. The exception is that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Highway Tax Distribution Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$0	\$0
Revenue:		
Projected motor vehicle fuel tax through 6/30/05	142,849,507 /1	\$148,382,178 /1
Projected special fuel tax through 6/30/05	70,526,005 /2	71,154,546 /2
Projected 2% special fuel excise tax through 6/30/05	9,990,656	9,496,171
Projected motor vehicle registrations through 6/30/05	80,709,656 /3	81,772,086 /9
2 cent fuel tax increase		20,400,000
Pick-up Provisions		3,800,000
Total Revenue	\$304,075,824	\$335,004,981
Transfers:		
Highway Patrol	(7,444,054)	(7,516,175)
Ethanol production incentive	(2,800,000) /7	(2,800,000) /7
Motorboat safety account	(200,000) /4	(200,000) /4
State snowmobile fund	(200,000) /5	(200,000) /5
Counties	(67,353,705)	(74,226,146)
Cities	(40,997,907)	(45,180,697)
State Highway Fund	(184,490,583)	(203,281,963)
Standing Rock Reservation	(589,575) /6	(600,000) /8
Remaining Tribal Agreements	(1,000,000) /8	(1,000,000) /8
	(304,075,824)	(335,004,981)
Ending Balance	\$0	\$0

- /1 Motor fuel taxes are net of the one cent gas tax withheld for the township road fund, amounts withheld for the refund reserve, and the motor fuels operating fund, but includes amounts collected for penalties and interest.
- /2 Special fuel taxes are net of the gas tax withheld for the township road fund. Special fuel taxes include amounts collected for penalties and interest, and license and permit fees.
- /3 Motor vehicle registrations are net of amounts withheld to pay fuel tax refunds for the International Fuel Tax Agreement member states (IFTA), and the motor vehicle operating fund. Motor vehicle registrations exclude the \$3 registration fee that goes directly to the state highway fund. Motor vehicle registrations exclude the fees collected by the Motor Vehicle Division, but paid to other funds to include the motor vehicle excise tax and the state aid distribution paid to the general fund, the motorcycle safety fund, busing assistance paid to the the public transportation fund, abandoned motor vehicle disposal fund, veterans' cemetery maintenance fund, all-terrain vehicle fund, the employment of people with disabilities fund, and the unsatisfied judgement that goes to the Insurance Commission.

- /4 On July first of each year the State Treasurer transfers \$2.50 multiplied by the number of motorboats licensed with the Game and Fish Department to the motorboat program and safety account from the highway distribution fund.
- /5 An amount equal to the tax collected on 30 gallons of motor vehicle fuel multiplied by the number of snowmobiles registered must be transferred annually from the highway distribution fund to the state snowmobile fund.
- /6 The current agreement between the Standing Rock Reservation and the state of ND provides the reservation will be distributed 75% of the fuel sold on the reservation, less a one percent administrative fee.
- /7 The State Treasurer shall transfer annually from the Highway Tax Distribution Fund to the Ethanol Incentive Fund an amount equal to forty percent of all sums collected for the registration of farm vehicles.
- /8 Estimate assumes the agreement will remain the same with the Standing Rock Reservation for the biennium, the pending agreements will be executed, and the remaining reservations execute an agreement by the end of the biennium.
- /9 Motor vehicle registrations are net of amounts withheld to pay fuel tax refunds for the IFTA member states, and the motor vehicle operating fund. Motor vehicle registrations exclude the \$13 registration fee that goes directly to the state highway fund during the 2005-2007 biennium.

Notes:

All projected revenue estimates are based on historical trends.

Health Care Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$33,153,183	\$20,144,411
Revenue:		
Net interest earnings / (loss)	2,313,279	887,602
July 2003 pool payment	13,646,405	
July 2004 pool payment	6,349,417	
Principal and interest repayments	1,182,277	963,185
Total Revenue	23,491,378	1,850,787
Expenditures for <i>Dept. of Human Services</i> :		
Transfers to state general fund	(35,990,650)	(16,900,000)
Provider inflationary increase - 0.65%		(3,001,852)
DD provider increase		(198,148)
Expenditures for <i>Health Dept.</i> :		
Quick response unit pilot project	(35,000)	(125,000)
Nursing student loan repayment	(489,500)	
Total Expenditures	(36,515,150)	(20,225,000)
Ending Balance	\$20,129,411	\$1,770,198

Note:

Estimate of interest income for 2005-07 is based upon transferring \$8.5 million to the state general fund on June 1, 2006, and \$8.4 million on June 1, 2007.

Lands and Minerals Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$641,126	\$6,320,259
Revenue:		
Mineral royalties	\$3,728,665	\$1,737,808
Mineral rents	382,310	100,000
Mineral bonus	4,581,611	143,868
Human Services DD loans	1,872,074	1,361,660
Investment income	152,273	500,876
Total Revenue	<u>10,716,933</u>	<u>3,844,212</u>
Expenditures:		
Transfer to common schools for DD loan	(2,791,500)	(1,789,322)
Transfer to general fund	(2,000,000)	(6,800,000)
Contingent transfer to Oil and Gas		(225,000) /1
Administrative expense	(246,300)	(261,300)
Total Expenditures	<u>(5,037,800)</u>	<u>(9,075,622)</u>
Ending Balance	<u>\$6,320,259</u>	<u>\$1,088,849</u>

^{/1} SB 2014 appropriates a contingency line to the Oil and Gas division of the Industrial Commission. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three month period, funds from the contingency line may be spent upon emergency commission approval.

Notes:

The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred possessory interests in real property belonging to or managed by the Bank of North Dakota. Upon sale, after foreclosure, the state retained mineral rights to the lands sold. All income from the sale, lease, and management of these lands was transferred to the Board of University and School Lands to be deposited in the lands and minerals trust fund (NDCC Section 15-08.1-08). The principal and interest of the trust fund may be expended upon approval by the Legislative Assembly.

Permanent Oil Tax Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$12,800,761 \1	\$47,922,411
Revenue	47,031,650 \2	38,016,354 \2
Transfers and Expenditures		
Appropriation for Peace Garden music camp - 2005 SB 2228		(350,000)
Appropriation for Centers of Excellence - Section 12 of 2005 SB 2018		(16,000,000)
Appropriation for Dept. of Human Services - Section 8 of 2005 HB 1012		(3,667,820)
Transfer to the general fund	<u>(11,910,000)</u> \3	<u>(55,300,000)</u> \4
Total transfers and expenditures	<u>(11,910,000)</u>	<u>(75,317,820)</u>
Ending Balance	<u><u>\$47,922,411</u></u>	<u><u>\$10,620,945</u></u>

\1 Actual July 1, 2003, beginning balance.

\2 Estimated oil extraction and production taxes in excess of the current statutory cap of \$71.0 million (NDCC 57-51.1-07.2), based on the March 2005 legislative revenue forecast.

\3 Transfer to the general fund, pursuant to Section 6 of 2003 SB 2015.

\4 Transfer to the general fund, pursuant to Section 32 of 2005 HB 1015.

Notes:

NDCC 57-51.1-07.2 establishes the permanent oil tax trust fund. This section provides that at the end of each biennium, all oil extraction and production taxes collected and deposited in the general fund in excess of \$71.0 million must be transferred to the permanent oil tax trust fund. The State Treasurer shall transfer interest earnings of the trust fund to the general fund at the end of each fiscal year. The principal may only be expended upon a two-thirds vote of the members of each house of the Legislative Assembly.

Resources Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$20,129,911 ^{\1}	\$36,110,888
Revenue:		
Repayments and reimbursements	\$2,166,633	\$2,005,000
Oil extraction tax collections	13,730,467	16,435,556
Interest	83,877	814,975
Total Revenue	15,980,977 ^{\2}	19,255,531 ^{\4}
Expenditures:		
Water Commission appropriation	0 ^{\3}	(54,013,116) ^{\5}
Ending Balance	\$36,110,888	\$1,353,303

\1 Actual July 1, 2003, balance.

\2 Based on actual revenues through April 30, 2005 and estimated revenues for the remainder of the biennium (based on the March 2005 legislative revenue forecast).

\3 Assumes all Water Commission expenditures from the resources trust fund will be repaid with bonding proceeds prior to the end of the 2003-05 biennium.

\4 Based on the March 2005 legislative revenue forecast for the 2005-07 biennium.

\5 Based on the appropriation contained in 2005 HB 1021. However, section 4 of HB 1021 provides that any additional amount that becomes available in the resources trust fund during the 2005-07 biennium is appropriated to the Water Commission.

Notes:

The resources trust fund was created pursuant to passage of Measure No. 6 in the November 1980 general election. Measure No. 6 established a 6.5 percent oil extraction tax, 10 percent of which was distributed to the resources trust fund. Measure No. 2, a constitutional amendment approved in the June 1990 primary election, establishes the resources trust fund as a constitutional trust fund and provides that the principal and income of the fund may be spent pursuant to legislative appropriations for:

1. Constructing water related projects, including rural water systems.
2. Funding energy conservation programs.

NDCC Section 57-51.1-07 clarifies the purpose of the resources trust fund by providing it is available for legislative appropriation to the State Water Commission for planning and constructing water-related projects and to the Industrial Commission for energy conservation and waste products utilization programs and studies. The 1995 legislative assembly amended Section 57-51.1-07 to provide that 20 percent of oil extraction tax collections will be deposited in the resources trust fund.

State Aid Distribution Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$0	\$0
Revenue:		
Sales tax revenue	\$62,506,007	\$66,222,000
Motor vehicle excise tax revenue	11,321,978	11,863,000
Total Revenue	73,827,985	78,085,000
Expenditures:		
Distribution to cities and counties	(73,827,985)	(78,085,000)
Ending Balance	\$0	\$0

\1 Based on actual fiscal year 2004 sales and use tax collections, and estimated fiscal year 2005 collections. Estimates are based on the March 2005 legislative revenue forecast.

\2 Based on the March 2005 legislative revenue forecast.

Notes:

NDCC Section 57-39.2-26.1 provides for the deposit of a portion of sales, use, and motor vehicle excise tax collections into the state aid distribution fund. The amount deposited into the state aid distribution fund is equal to 40 percent of an amount determined by multiplying the quotient of 1 percent, divided by the general sales tax rate that was in effect when the sales were collected, times the net sales, use, and motor vehicle excise tax collections.

Revenues deposited in the state aid distribution fund are provided as a standing and continuing appropriation and are allocated to political subdivisions pursuant to the formula provided in Section 57-39.2-26.1.

Tobacco Settlement Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$0	\$0
Total Revenue	46,310,010 ^{\1}	45,944,134 ^{\2}
Expenditures:		
Transfer to community health trust fund	(\$4,631,000)	(\$4,594,414)
Transfer to water development trust fund	(20,839,505)	(20,674,860)
Transfer to common schools trust fund	(20,839,505)	(20,674,860)
Total Expenditures	<u>(46,310,010)</u>	<u>(45,944,134)</u>
Ending Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>

\1 Based on actual revenues through April 30, 2005.

\2 Payments deposited in the tobacco settlement trust fund during the 2005-07 biennium are estimated to be \$22,972,067 in both April 2006 and 2007.

Notes:

NDCC 54-27-25, enacted in 1999, establishes the tobacco settlement trust fund to be used for the deposit of tobacco settlement dollars obtained by the state under the master settlement agreement and consent agreement adopted by the east central judicial district court. All monies received by the state pursuant to the judgment and all monies received by the state for enforcement of the judgment must be deposited in the fund. The principal of the fund must be allocated as follows:

- 10% to the community health trust fund
- 45% to the common schools trust fund
- 45% to the water development trust fund

All transfers must be made within 30 days of receipt by the tobacco settlement trust fund.

Tuition Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$1,165,189 ^{\1}	\$697,462
Revenue:		
Fines for violation of state laws	\$8,824,397	\$8,800,000
Transfers from common schools	<u>60,000,000</u>	<u>62,200,000</u>
Total Revenue	68,824,397 ^{\2}	71,000,000 ^{\4}
Expenditures:		
Tuition apportionment payments	<u>(69,292,124)</u>	<u>(71,600,000) ^{\5}</u>
Ending Balance	<u><u>\$697,462</u> ^{\3}</u>	<u><u>\$97,462</u></u>

\1 Actual July 1, 2003 balance.

\2 Fines revenue estimates are based on actual fiscal year 2004 fines revenue and estimated revenues for the second year; common schools revenue estimates are based on Land Department projections.

\3 Fines proceeds deposited in the tuition fund during May, June, and July of each fiscal year are carried forward for distribution in August of the subsequent fiscal year.

\4 Fines revenue estimates assume collections will continue at the estimated 2003-05 biennium level.

\5 The amount shown is the legislative appropriation for the 2005-07 biennium, which was unchanged from the executive recommendation.

Notes:

The common schools trust fund is a constitutional trust fund established in 1889. Article IX, Section 2, of the Constitution of North Dakota provides that state distributions to schools shall include the interest and income of the common schools trust fund, as well as all fines for violation of state laws. These amounts are deposited in the the state tuition fund, pursuant to NDCC Section 15.1-28-01, which directs the Superintendent of Public Instruction to distribute the balance in the state tuition fund based on the number of school age children residing in each district. This section was amended by the 2005 Legislative Assembly to provide that tuition fund payments will be distributed to school districts monthly from August to April, beginning with August 2005.

Water Development Trust Fund Status Statement

	2003-05	2005-07
Beginning Balance	\$9,409,511 ^{\1}	\$9,347,282
Revenue:		
Transfers from the tobacco settlement trust	20,839,505 ^{\2}	20,674,860 ^{\4}
Expenditures:		
Transfer to the general fund	(\$10,070,373)	
Disaster recovery appropriations	(2,031,361)	
Legislative Assembly expenditures	0	(20,000)
Water Commission expenditures	(8,800,000)	(29,963,873)
Total Expenditures	(20,901,734) ^{\3}	(29,983,873) ^{\5}
Ending Balance	\$9,347,282	\$38,269

\1 Actual July 1, 2003 balance.

\2 Based on actual tobacco settlement receipts received through April 30, 2005.

\3 Based on estimated Water Commission expenditures for the 2003-05 biennium.

\4 Based on estimated tobacco settlement proceeds to be received during the 2005-07 biennium.

\5 Based on the 2005-07 legislative appropriation for the Water Commission, as contained in HB 1021, and for the Legislative Assembly, as contained in Section 37 of HB 1015.

Notes:

The water development trust fund was established by the Legislative Assembly in 1999, upon enactment of NDCC Section 54-27-25. NDCC Section 54-27-25 establishes the tobacco settlement trust fund, in which is deposited state proceeds received pursuant to the tobacco master settlement agreement. Monies in the tobacco settlement trust fund are allocated 45% to the water development trust fund, 45% to the common schools trust fund, and 10% to the community health trust fund. Monies in the water development trust fund are to be used for the long-term water development and management needs of the state.

All Appropriated Funds Status Statement (Amounts In Millions)

	2003-05	2005-07
Beginning Balance - All appropriated funds	\$937.1 \1	\$1,124.0 \1
Revenues:		
General fund revenues (see schedule pg 4)	\$1,918.7	\$1,934.7
Appropriated other fund revenues	3,414.7	4,043.2
Total Revenue	5,333.4 \2	5,977.9 \2
Expenditures and transfers:		
Appropriated general fund expenditures and transfers	(\$1,868.4)	(\$1,989.5)
Appropriated other fund expenditures and transfers	(3,278.1)	(3,763.2)
Total Expenditures and Transfers	(5,146.5) \3	(5,752.7) \3
Ending Balance - All appropriated funds	\$1,124.0 \1	\$1,349.2 \1

Notes:

This schedule reflects state revenues and expenditures from all appropriated funds. The Legislative Assembly appropriates general and "other" funds. Other funds consist of federal funds and select state special funds. For the purpose of this analysis, funds included in other funds are those subject to the legislative budget and appropriation process.

State funds omitted from this schedule are funds for which a continuing appropriation exists or are funds which are otherwise excluded from the legislative budget and appropriation process. Examples of excluded funds are agriculture commodity groups, various agency funds with statutory continuing appropriation authority, and local funds collected by institutions of higher education. Most proprietary funds are excluded from this schedule. However, certain proprietary funds such as the Bank of North Dakota, the Housing Finance Agency, and Workforce Safety and Insurance, consist of a small appropriated component used for administrative costs. The appropriated components of these funds are budgeted and included in the legislative appropriation and are, therefore, included on this schedule.

Fund ending balances and revenues and expenditures are based on unaudited estimates provided by agencies through the budgeting process. In some cases these estimates have been revised by OMB to reflect revised projections or legislative changes. Numbers presented on this schedule are estimates for informational purposes only.

- \1 Beginning and ending balances - The beginning balance reflects the actual general fund balance and actual fund balances for the funds included on this schedule. Some special fund balances may reflect a cash balance, others may reflect an accrual balance amount. For the purpose of this analysis, all federal funds are considered spent in the biennium for which they are appropriated and are not included in the beginning and ending balances.
- \2 Revenues - Revenues are estimates based on unaudited information provided by agencies, in some cases revised by OMB.
- \3 Expenditures - Expenditures reflect legislative appropriations. Legislative appropriations are for the general fund and "other" funds. Other funds include both federal and appropriated special funds.

BUDGET HIGHLIGHTS

Introduction



Governor Hoeven

Governor John Hoeven’s budget recommendation for the 2005-07 biennium centered around a conservative, fiscally responsible and responsive budget. The budget recommendation included over \$60.0 million in reserves, investment to continue the growth in the economy, and **no** tax increases. The priorities of the budget were to exercise sound fiscal management, stimulate economic growth and provide the basic needs for our seniors, children, and veterans.

North Dakota’s economy has been growing and expanding. We led the nation in per capita income growth; created jobs when other states lost jobs; saw growing sales and income tax revenues; and had the state’s bond rating raised from Aa3 to Aa2.

Major initiatives included in Governor Hoeven’s budget recommendation were further improvement of teacher compensation, greater funding equity among K-12 schools, resources for Joint Powers Agreements, expansion of the Centers of Excellence program, a Veterans Bonus program, a state employee compensation plan including equity funding, and expanded sex offender monitoring and treatment.

In total, the general fund budget recommendation was \$2.0 billion and the entire budget recommendation, including federal and special funds, was \$5.5 billion. The 2005 Legislative Assembly increased the Governor’s total budget by 3.7 percent with the major budget change in the Department of Transportation to assure adequate state resources to match federal highway funds.

Subsequent pages in this section highlight the Governor’s recommendations and the legislative changes to his proposed initiatives.

**STATE OF NORTH DAKOTA
COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVE APPROPRIATIONS AND 2005-07 EXECUTIVE RECOMMENDATION**

<u>Agency</u>	<u>2003-05 Legislative Appropriation</u>		<u>2005-07 Executive Recommendation</u>		<u>2005-07 Legislative Appropriation</u>	
	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>
General Government						
Executive Branch						
101 Office of the Governor	\$ 2,331,886	\$ 3,111,886	\$ 2,590,772	\$ 5,150,772	\$ 2,598,137	\$ 5,158,137
108 Office of the Secretary of State	4,142,844	14,023,207	4,532,287	14,848,822	4,489,363	14,433,391
110 Office of Management and Budget	19,740,511	27,628,987	22,269,688	37,107,969	20,156,011	66,811,330
112 Information Technology Department	8,194,803	106,312,104	10,810,359	109,640,934	9,972,837	108,907,227
117 Office of the State Auditor	4,581,232	6,699,208	4,875,991	7,302,981	5,126,005	7,561,146
120 Office of the State Treasurer	2,626,384	2,626,384	2,332,600	2,332,600	2,344,547	2,344,547
125 Office of the Attorney General	17,054,217	34,483,691	18,269,636	39,690,868	19,212,156	43,700,557
127 Office of the State Tax Commissioner	21,154,695	21,269,739	24,996,259	25,116,259	22,485,152	36,605,152
140 Office of Administrative Hearings	0	1,242,958	0	1,306,482	0	1,309,844
190 Retirement and Investment Office	0	4,843,329	0	2,966,923	0	2,975,028
192 Public Employees Retirement System	0	4,391,158	0	4,692,005	19,000	4,719,237
Total Executive Branch	\$ 79,826,572	\$ 226,632,651	\$ 90,677,592	\$ 250,156,615	\$ 86,403,208	\$ 294,525,596
Legislative and Judicial Branches						
150 Legislative Assembly	\$ 8,561,252	\$ 8,561,252	\$ 13,117,952	\$ 13,117,952	\$ 9,492,225	\$ 9,512,225
160 Legislative Council	7,532,856	7,532,856	7,598,596	7,598,596	7,788,941	7,788,941
180 Judicial Branch	55,087,369	57,130,905	66,546,349	69,073,157	56,329,994	57,839,972
188 Commission on Legal Counsel for Indigents	0	0	0	0	8,838,368	10,058,368
Total Legislative and Judicial Branches	\$ 71,181,477	\$ 73,225,013	\$ 87,262,897	\$ 89,789,705	\$ 82,449,528	\$ 85,199,506
Total General Government	\$ 151,008,049	\$ 299,857,664	\$ 177,940,489	\$ 339,946,320	\$ 168,852,736	\$ 379,725,102
Education						
Elementary, Secondary, and Other Education						
201 Department of Public Instruction	\$ 604,765,006	\$ 870,823,809	\$ 634,144,940	\$ 930,021,612	\$ 636,443,587	\$ 932,343,222
226 Land Department	0	7,573,834	0	7,818,995	0	7,826,022
250 State Library	3,027,046	4,657,025	3,501,626	5,160,201	3,507,082	5,166,354
252 School for the Deaf	5,073,242	5,944,691	5,488,553	6,815,119	5,365,097	6,692,362
253 School for the Blind	2,089,825	3,257,208	2,503,495	3,349,030	2,524,609	3,371,056
270 Dept. of Career & Technical Education	14,673,473	25,547,973	17,155,866	28,426,766	16,840,786	28,131,983
Total Elementary, Secondary, and Other Educ.	\$ 629,628,592	\$ 917,804,540	\$ 662,794,480	\$ 981,591,723	\$ 664,681,161	\$ 983,530,999
Higher Education						
215 North Dakota University System Office	\$ 56,618,730	\$ 60,474,237	\$ 385,589,539	\$ 387,926,815	\$ 57,729,611	\$ 60,329,387
227 Bismarck State College	16,362,327	18,147,327	0	2,302,800	17,109,029	20,854,329
228 Lake Region State College	5,077,513	5,452,513	343,875	343,875	5,777,526	5,777,526
229 Williston State College	5,476,161	5,476,161	0	6,910,000	5,929,472	13,889,472
230 University of North Dakota	86,920,262	140,220,262	0	56,663,108	94,852,147	192,683,701
232 UND Medical Center	30,165,865	30,165,865	0	0	31,361,002	31,361,002
235 North Dakota State University	69,314,490	95,314,490	0	37,500,000	77,496,876	114,996,876
238 ND State College of Science	24,710,324	28,379,244	0	1,104,920	25,740,160	28,545,080
239 Dickinson State University	13,992,793	24,874,840	0	9,100,557	15,095,317	24,195,874
240 Mayville State University	8,866,924	14,371,924	0	1,500,000	9,362,624	10,862,624

**STATE OF NORTH DAKOTA
COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVE APPROPRIATIONS AND 2005-07 EXECUTIVE RECOMMENDATION**

<u>Agency</u>	<u>2003-05 Legislative Appropriation</u>		<u>2005-07 Executive Recommendation</u>		<u>2005-07 Legislative Appropriation</u>	
	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>
239 Dickinson State University	13,992,793	24,874,840	0	9,100,557	15,095,317	24,195,874
240 Mayville State University	8,866,924	14,371,924	0	1,500,000	9,362,624	10,862,624
241 Minot State University	26,382,428	26,382,428	0	3,535,000	27,892,719	36,427,719
242 Valley City State University	11,570,006	15,655,306	250,000	282,000	12,314,942	12,314,942
243 Minot State University - Bottineau	4,312,519	4,312,519	0	0	4,444,185	10,444,185
244 North Dakota Forest Service	1,771,076	2,861,077	2,054,653	3,029,654	2,052,283	3,027,284
Total Higher Education	\$ 361,541,418	\$ 472,088,193	\$ 388,238,067	\$ 510,198,729	\$ 387,157,893	\$ 565,710,001
Total Education	\$ 991,170,010	\$ 1,389,892,733	\$ 1,051,032,547	\$ 1,491,790,452	\$ 1,051,839,054	\$ 1,549,241,000

Health and Human Services

301 ND Department of Health	\$ 13,101,092	\$ 119,582,748	\$ 14,439,108	\$ 126,559,318	\$ 13,468,904	\$ 125,739,124
313 Veterans Home	3,046,072	11,017,195	4,381,104	11,367,731	4,329,092	11,303,925
316 Indian Affairs Commission	355,243	355,243	386,228	406,228	387,297	407,297
321 Department of Veterans Affairs	480,798	524,292	677,337	677,337	653,668	653,668
324 Children's Services Coord Committee	0	2,514,600	0	0	0	0
325 Department of Human Services	411,081,823	1,508,883,755	490,373,041	1,675,776,812	484,421,474	1,680,062,307
360 Protection and Advocacy Project	782,723	3,226,255	810,464	3,713,439	812,093	3,720,979
380 Job Service North Dakota	1,250,000	57,454,717	1,480,724	59,620,076	1,501,012	59,771,271
Total Health and Human Services	\$ 430,097,751	\$ 1,703,558,805	\$ 512,548,006	\$ 1,878,120,941	\$ 505,573,540	\$ 1,881,658,571

Regulatory

401 Office of the Insurance Commissioner	\$ 100,000	\$ 11,890,779	\$ 0	\$ 12,497,926	\$ 0	\$ 13,679,655
405 Industrial Commission	7,026,884	44,318,720	6,861,925	50,516,810	6,878,658	50,781,796
406 Office of the Labor Commissioner	877,947	1,107,645	958,622	1,456,837	961,239	1,460,204
408 Public Service Commission	3,911,494	9,984,261	5,156,601	11,141,740	4,362,837	11,299,988
412 Aeronautics Commission	522,500	9,159,792	550,187	5,788,101	550,187	5,790,305
413 Dept. of Financial Institutions	0	3,657,265	0	4,207,793	0	4,445,503
414 Securities Department	1,080,165	1,391,745	1,455,563	1,672,762	1,459,244	1,676,443
471 Bank of North Dakota	8,075,000	37,853,279	5,700,000	51,404,797	6,900,000	51,475,075
473 North Dakota Housing Finance Agency	0	33,589,767	0	33,895,707	0	33,910,014
475 North Dakota Mill and Elevator	0	29,982,152	0	32,657,254	0	32,841,404
485 Workforce Safety and Insurance	0	32,397,631	0	33,440,814	0	33,523,001
Total Regulatory	\$ 21,593,990	\$ 215,333,036	\$ 20,682,898	\$ 238,680,541	\$ 21,112,165	\$ 240,883,388

Public Safety

504 Highway Patrol	\$ 18,211,522	\$ 33,692,609	\$ 19,805,490	\$ 34,359,628	\$ 20,080,862	\$ 34,819,608
512 Department of Emergency Services	1,369,035	38,586,176	5,106,239	62,067,760	5,115,672	62,985,952
530 Department of Corrections & Rehab	81,736,611	114,316,698	101,188,393	132,925,319	101,135,684	128,900,831
540 Adjutant General	9,170,983	29,889,699	16,424,837	47,809,752	16,445,229	47,879,027
Total Public Safety	\$ 110,488,151	\$ 216,485,182	\$ 142,524,959	\$ 277,162,459	\$ 142,777,447	\$ 274,585,418

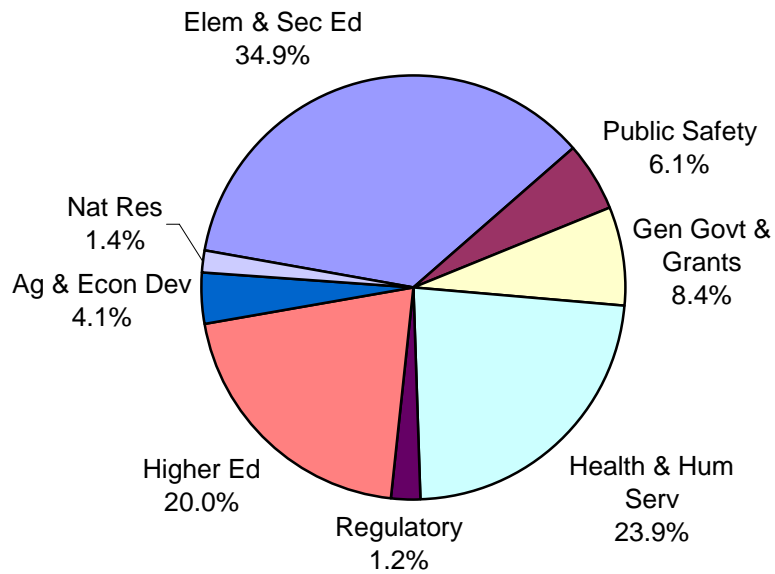
**STATE OF NORTH DAKOTA
COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVE APPROPRIATIONS AND 2005-07 EXECUTIVE RECOMMENDATION**

<u>Agency</u>	<u>2003-05 Legislative Appropriation</u>		<u>2005-07 Executive Recommendation</u>		<u>2005-07 Legislative Appropriation</u>	
	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>
<u>Agriculture, Economic Development, and Extension and Research</u>						
Agriculture and Economic Development						
601 Dept of Commerce	\$ 19,014,723	\$ 71,367,830	\$ 23,129,164	\$ 128,561,660	\$ 19,180,781	\$ 76,615,064
602 North Dakota Department of Agriculture	4,233,525	12,552,374	4,885,958	14,253,972	4,523,112	14,009,644
615 Crop Harmonization	0	0	0	0	0	0
616 State Seed Department	0	5,640,000	0	5,924,650	0	5,933,391
665 North Dakota State Fair	581,750	601,750	590,000	590,000	615,000	615,000
670 Racing Commission	0	0	0	0	117,479	367,145
Total Agriculture and Economic Development	\$ 23,829,998	\$ 90,161,954	\$ 28,605,122	\$ 149,330,282	\$ 24,436,372	\$ 97,540,244
Extension and Research						
627 Upper Great Plains Transportation Institute	\$ 483,099	\$ 10,844,750	\$ 501,045	\$ 15,764,073	\$ 1,162,904	\$ 16,452,937
628 Branch Research Centers	7,467,679	16,435,082	8,175,257	20,567,791	8,386,309	21,505,676
630 NDSU Extension Service	13,859,446	34,346,276	15,241,062	38,230,290	15,358,146	38,379,737
638 Northern Crops Institute	746,002	1,523,347	812,844	1,763,585	910,761	1,902,683
640 NDSU Main Research Center	28,210,740	60,517,214	29,761,962	71,072,180	30,794,067	75,456,713
649 Agronomy Seed Farm	0	1,166,604	0	1,199,685	0	1,201,008
Total Extension and Research	\$ 50,766,966	\$ 124,833,273	\$ 54,492,170	\$ 148,597,604	\$ 56,612,187	\$ 154,898,754
Total Ag, Econ Dev, Ext & Research	\$ 74,596,964	\$ 214,995,227	\$ 83,097,292	\$ 297,927,886	\$ 81,048,559	\$ 252,438,998
<u>Natural Resources</u>						
701 State Historical Society	\$ 7,259,934	\$ 11,650,976	\$ 7,580,724	\$ 11,606,179	\$ 8,094,058	\$ 18,021,223
709 Council on the Arts	1,004,403	2,226,618	1,028,422	2,296,740	999,691	2,268,009
720 Game and Fish Department	0	43,365,763	0	48,465,166	0	51,201,059
750 Department of Parks and Recreation	7,056,513	17,828,620	8,502,575	21,488,828	8,144,153	21,571,736
770 State Water Commission	9,385,396	159,858,854	2,063,357	112,787,834	1,011,220	126,070,938
Total Natural Resources	\$ 24,706,246	\$ 234,930,831	\$ 19,175,078	\$ 196,644,747	\$ 18,249,122	\$ 219,132,965
<u>Transportation</u>						
801 Department of Transportation	\$ 0	\$ 784,385,918	\$ 0	\$ 827,412,952	\$ 0	\$ 955,008,348
Total Transportation	\$ 0	\$ 784,385,918	\$ 0	\$ 827,412,952	\$ 0	\$ 955,008,348
TOTAL ALL BUDGETS	\$ 1,803,661,161	\$ 5,059,439,396	\$ 2,007,001,269	\$ 5,547,686,298	\$ 1,989,452,623	\$ 5,752,673,790

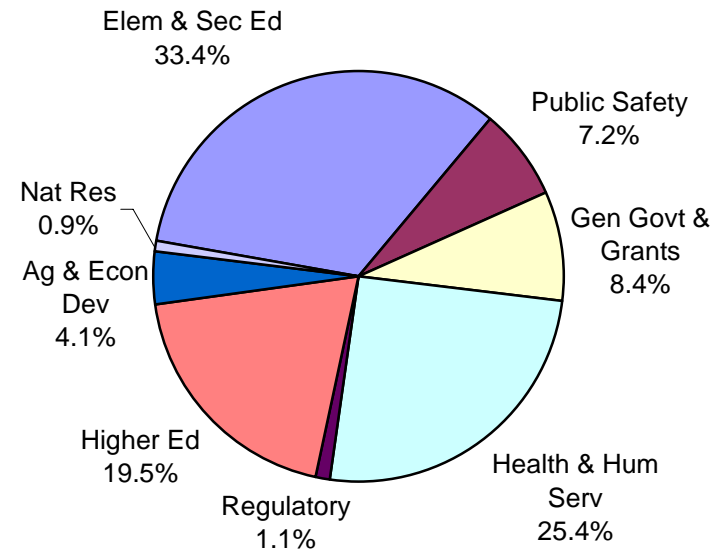
1 Indigent Defense costs within the District Courts for 2003-05 were \$4,247,397 general fund and \$5,062,397 total funds. The Supreme Court budget request for 2005-07 for indigent defense was \$9,994,298 general fund and \$11,014,298 total funds.

General Fund Budget 2003-05 and 2005-07 Bienniums

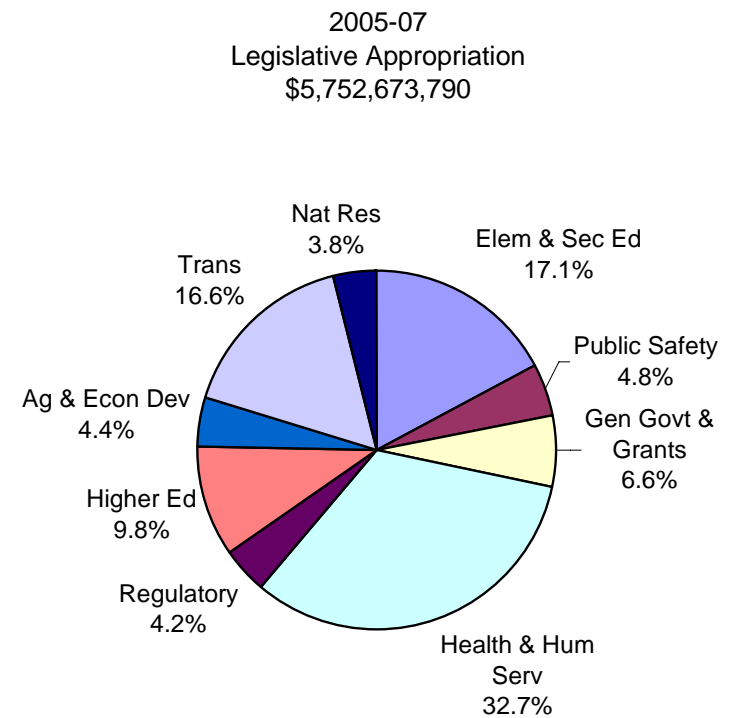
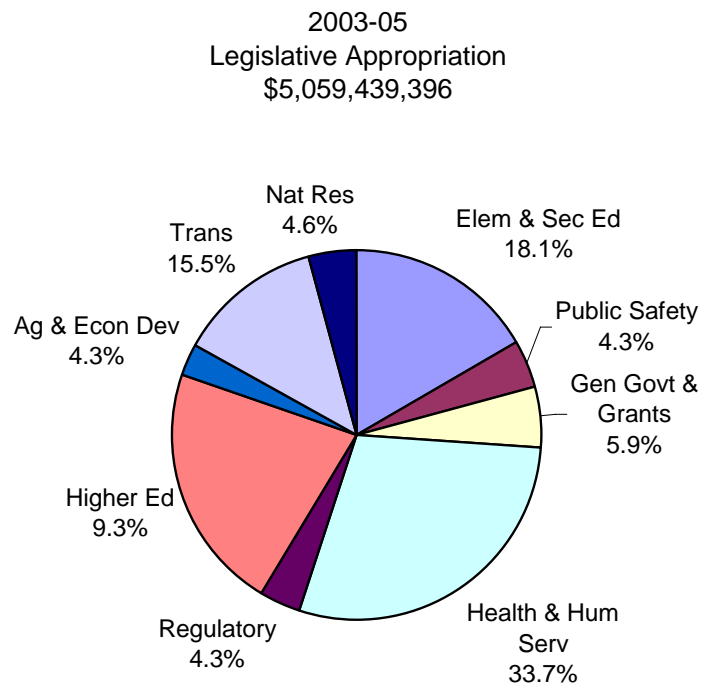
2003-05
Legislative Appropriation
\$1,803,661,161



2005-07
Legislative Appropriation
\$1,989,452,623



Total Funds Budget 2003-05 and 2005-07 Bienniums



GENERAL GOVERNMENT***Office of Attorney General***

The functions in this office have expanded in recent years. In addition to fiscal and other internal operations of the office, the budget includes the divisions of Legal Services, Consumer Protection, Gaming, Bureau of Criminal Investigation (BCI), Fire Marshal, Racing Commission, Crime Lab, and the Lottery.

The Governor's recommended budget for the Office of Attorney General was \$39.7 million with \$18.3 million from the general fund. The Legislative Assembly approved a total budget, including the budget for the Lottery Division, of \$43.7 million with \$19.2 million from the general fund.

Legislative approval of SB 2340 resulted in a functional change for the agency by removing the Racing Commission from under the supervision and direction of the Attorney General. It will become a stand-alone agency in the 2005-07 biennium with a separate budget of \$367,145.

The Legislative Assembly also passed HB 1259 to amend and add statutory language related to the lottery. Although the Governor recommended that the continuing appropriation status of the lottery function continue, HB 1259 established a special line item appropriation for over \$3.6 million in special funds and authorization for 9.00 FTE. The Legislative Assembly also approved a contingent appropriation of \$279,000 and authorization to add 2.00 additional FTE for lottery operations if the costs exceed the \$3.6 million appropriation.

To address the ongoing problem of methamphetamine use and the manufacturing of meth in rural North Dakota, the Governor

provided FTE authorization and funding of \$344,000 from the general fund for one additional BCI special agent, a BCI administrative position, and one forensic scientist in the Crime Lab. However, after the Governor's budget was released, the Office of Attorney General learned that the federal Byrne funds used to support the BCI and Crime Lab drug enforcement activities were going to be severely reduced. The Legislative Assembly removed the FTE authorization for the new BCI agent and forensic scientist so the funds could be used to maintain operations and offset some of the anticipated shortfall in federal dollars. The Legislative Assembly also appropriated an additional \$398,000 from the general fund to replace federal Byrne funds stipulating that it may not be used if the federal Byrne funds become available. Final action also provided the agency full access to any remaining funds in the Attorney General refund fund estimated to be \$214,000. Historically the funds would revert to the general fund at the end of the biennium.

HB 1235 was passed to require an individual convicted after July 31, 2005 of any felony offense to provide DNA samples. The Legislative Assembly provided 1.30 FTE and \$134,000 from the general fund to support this effort. Additionally, HB 1061 was passed to require DNA testing of sexual offenders convicted prior to July 31, 2005. The legislature provided \$25,000 from the general fund for the cost of processing the samples. The Crime Lab also received an additional \$145,000 from the general fund for lab supplies and maintenance agreements on equipment.

Several years ago a master plan for future expansion and remodeling of the state laboratory complex in east Bismarck was completed. The remodeling of existing Crime Laboratory space and expansion of facilities constitutes the third phase of

the master plan. The Governor included bonding authority of \$3.6 million in SB 2023 for the project, which included \$81,200 for lab space for an additional forensic scientist. The legislature approved the building project at the recommended amount with an additional \$18,800 from the general fund included in HB 1003 for office space for a new DNA administrative assistant position.

Lastly, the legislature passed SB 2383 and provided \$100,000 from the general fund to support statutory changes that expand the services of the Children's Advocacy Centers. The Department of Human Services and law enforcement will now be able to refer cases to children's advocacy centers for forensic interviews and forensic medical examinations and other services.

Office of State Tax Commissioner

The Tax Commissioner is charged with the responsibility of fairly and effectively administering the tax laws of the state. In addition to the Commissioner's Office and Fiscal Management, the office includes the divisions of Legal, Income, Sales and Special Taxes, Property Tax, and Operations.

The executive recommendation for the Tax Commissioner's budget was \$25.1 million with \$7.0 million reserved for the Homestead Tax Credit program. The legislature provided a total appropriation of \$36.6 million with \$4.5 million for the Homestead Tax Credit program.

The Governor's recommendation increased the Homestead Tax credit program by \$3.0 million, for a total \$7.0 million general fund appropriation, with proposed statutory changes to expand eligibility requirements for the program. It was anticipated that the changes would increase the number of

eligible applicants by 30 percent. The Legislative Assembly approved a \$500,000 increase for a total appropriation of \$4.5 million. The Legislative Assembly made less aggressive program changes to the qualifying income, schedule of taxable value, and the amount of the homestead that can be excluded from the asset test.

Most significant in HB 1006 was the addition of section 6 by the Legislative Assembly providing an appropriation of \$14.0 million of special funds for the tax commissioner to establish an integrated tax processing system. The agency has the authority to enter into a financing agreement for purchase and lease of equipment, software and services as necessary. The tax commissioner will request general fund appropriation for repayment to commence during the 2007-09 biennium.

Judicial Branch

The North Dakota judicial system is comprised of the Supreme Court, district courts, municipal courts and the intermediate court of appeals, when convened. The juvenile court is a division of the district court. The budget is submitted according to the functions of the Supreme Court, District Courts, and the Judicial Conduct Commission and Disciplinary Board.

As a separate branch of government, the judicial branch budget is included in the executive budget at the level it is submitted. The total judicial request was \$69.0 million, of which \$66.5 million was from the general fund, representing a \$9.5 million increase. The Legislative Assembly approved a total budget of \$67.9 million, with \$65.2 million from the general fund.

The most notable change for the judicial budget was the approval of SB 2027 that provides the statutory language to transfer indigent defense services from the Supreme Court to a

newly established Commission on Legal Counsel for Indigents. The legislative appropriation of \$10.1 million for 2005-07 for indigent legal services is included in the judicial budget, SB 2002. Of this amount, \$9.2 million is reserved for contracts to provide legal services to indigents, which represents a \$4.1 million increase from the 2003-05 biennium. The remaining \$816,000 is for Commission administration and includes the costs of a director, a deputy, an administrative assistant and three statewide investigators. After a 6-month transition period, on January 1, 2006, any remaining appropriation and funds designated for indigent services will be transferred from the judicial budget to the Commission on Legal Counsel for Indigents.

Information Technology

The Information Technology Department (ITD) is responsible for providing technology and support services to state agencies, higher education, counties, cities and K-12 school districts. The executive recommendation included total funds of \$109.6 million for ITD, including \$10.8 million from the general fund. The Legislative Assembly approved a budget totaling \$108.7 million, of which \$9.8 million is from the general fund.

The IT budget includes funding from general fund dollars for the K-12 portion of STAGEnet, North Dakota's statewide network. The Governor included in his recommendation, and the Legislative Assembly concurred, to increase funding to EduTech for the purchase of antivirus software for K-12 schools. The Legislative Assembly approved funding of grants for the Educational Technology Council (ETC) to be used for learning management system licenses, atomic learning licenses, and classroom video and transformation grants. The

licenses will provide online professional development for teachers to access tutorials to many major educational and productivity software applications. The classroom video grants will assist schools in providing long distance learning to increase the curriculum offerings to students in other schools. The transformation grants will enable specific classrooms to implement technology-rich teaching and learning environments. These grants will help further the ETC program for the K-12 schools. The total approved funds for grants and licenses were \$585,000, which is an \$868,182 reduction from the Governor's recommendation.

The Criminal Justice Information Sharing Project (CJIS) was funded with general funding of \$525,090 for creation of the CJIS hub, ongoing operations and development of interfaces between major law enforcement systems. If federal homeland security or other federal funding becomes available, those dollars can be used to complete the remaining \$175,000 of CJIS initiatives, which had been funded with general fund dollars in the governor's recommendation.

In order to migrate the legacy mainframe system to a new platform, the legislature approved extending the financing term from a maximum period of three years to five years for the purchase of software, equipment, or implementation of services.

The legislature concurred with the Governor's recommendation to provide \$8.1 million special fund authority to ITD for development and implementation of the Department of Human Service's Medicaid Management Information System (MMIS). ITD authorized an additional 10.00 FTE for the project, and the flexibility to move funding between lines when necessary to properly develop the project.

EDUCATION

Higher Education



North Dakota University System (NDUS)

Entities under the NDUS include the NDUS office, 11 campuses, the medical school, Forest Service, Upper Great Plains Transportation Institute, extension service, the main research station, 7 branch research and extension centers, Northern Crops, and the Agronomy Seed Farm.

The total general fund appropriation for the North Dakota University System (including major capital projects) for the 2005-07 biennium, is \$445.1 million, an increase of \$33.5 million or 8.1 percent more than the 2003-05 adjusted appropriation. For the system this includes:

- A general fund appropriation of \$388.5 million for the 11 campuses, UND School of Medicine and Health Sciences, Forest Service and North Dakota University System office, which is an increase of \$27.7 million or 7.7 percent from the 2003-05 adjusted appropriation. Included in this funding is \$387.1 million in base funding, \$1.4 million for workforce training and \$50,000 for the purpose of performing the technology commercialization study.
- A general fund appropriation of \$56.5 million or an 11.5 percent increase over the 2003-05 adjusted appropriation for the Upper Great Plains Transportation Institute (UGPTI), Northern Crops Institute (NCI), NDSU Extension Service and Branch Research Centers. Included is \$55.8 million in base funding, \$360,000 to UGPTI for performing a required transportation study, and approximately \$490,000 in HB 1050 to adjust compensation increases to 4.0 percent per year.

- The 2005-07 NDUS appropriation includes \$184.7 million funding authorization for major capital projects from the following funding sources: \$0.7 million state general funds; \$82.7 million revenue bonding; \$15.9 million state bonding and \$85.4 million federal and other fund authority.

Campus Operations/Capital Assets

The legislative appropriation provides an increase of \$18.9 million for campus operations, which includes \$15.0 million for parity, \$3.8 million for equity and \$119,826 for additional operating expenses associated with Murphy Hall at Dickinson State University. The \$7.0 million appropriated for campuses' extraordinary repairs (capital assets) includes \$320,000 one-time funding for the following projects: WSC \$90,000 repairs in Stevens Hall; MaSU \$150,000 repairs in Old Main; MiSU \$80,000 repairs in the Student Union.

North Dakota University System Office

The 2005-07 legislative appropriation includes approximately \$5.5 million for system governance. This will fund the NDUS Board and office staff, the College Technical Education Council (CTEC) and the State Approving Agency (\$189,926 federal funds), and includes the following increases: \$206,960 for parity; \$27,000 for WICHE/MHEC dues increases; and \$75,200 for an increase in FINDET funding.

Student Financial Assistance Grants – The 2005-07 legislative appropriation includes \$3.5 million (\$3.3 million general fund and \$172,000 federal funds) for the state grant program. This includes a general fund increase of \$428,114, and would fund approximately 3,150 grants per year at \$600 each, assuming an additional \$317,000 in estimated general fund carryover. However, SB 2077 amended the North Dakota Century Code and provides that the amount of individual grants may increase to \$1,000 per year instead of the existing \$600. This may have

an impact on the number of awards that are provided in 2005-07. Legislation requires that 23.5 percent of state grant funding be used for students at private baccalaureate degree-granting institutions, an increase from the current 22 percent.

Scholars Program – The appropriation includes \$862,077 from the general fund for the scholars program. This is the same level of funding as 2003-05, and the appropriation will allow for approximately 25-29 new freshmen scholarships per year in FY 2006 and FY 2007.

ND Indian Scholarship Program – The legislative appropriation includes \$251,988 general fund monies for the ND Indian Scholarship program. This includes an increase of \$47,500 over the 2003-05 general fund appropriation, and would fund approximately 180 grants per year at \$700, or 9 more than were funded in 2003-04.

Professional Student Exchange Program (PSEP) – The 2005-07 legislative appropriation includes \$2.1 million (\$1.9 million general fund and \$262,500 from the student loan trust fund) for PSEP, which represents an increase of \$151,000 over the 2003-05 general fund appropriation, as well as an increase of \$262,500 in other funds. The amendment that added the \$151,000 additional general fund appropriation stipulated that this was to be used to fund additional veterinary slots. HB 1397 provides that the \$262,500, from the student loan trust fund, is to be used for students enrolled in the Veterinary Medical Education program at Kansas State University.

The estimated carryover for this program totals \$109,000, but the amount that is available for this program could also be impacted by Section 25 (SB 2003). The following table provides the number of freshman slots actually funded in the 2003-05 biennium and the approximate number of new slots in 2005-07;

assuming full use of the 2003-05 estimated carryover (\$109,000) for this program:

	2003-04 Actual	2004-05 Actual	2005-06 Estimate	2006-07 Estimate
Veterinary Medicine 1/, 2/	4	4	8-9	5-6
Dentistry 1/	4	4	4	3-4
Optometry	5	4	4	3-4

1/ During the 2003-05 biennium, an additional 5 (2003-04) and 1 (2004-05) freshmen veterinary medicine students and an additional 17 (2003-04) and 15 (2004-05) freshmen dentistry students enrolled at the University of Minnesota under the Minnesota reciprocity agreement.

2/ The estimates for new freshmen slots in veterinary medicine for 2005-06 and 2006-07 include the following: 2005-06 – 4 WICHE, 3 Iowa and 1-2 Kansas slots; and 2005-07 – 1 WICHE, 3 Iowa and 1-2 Kansas slots.

Education Incentive Program – The 2005-07 legislative appropriation provides \$1.2 million in state funds for education incentive programs to fund the teacher shortage loan forgiveness program, technology occupations loan forgiveness program and doctoral graduate program. Section 10 (SB 2003) includes language that the State Board of Higher Education (SBHE) may allocate up to \$150,000 of the funding for providing doctoral incentives to students at private baccalaureate degree-granting institutions.

System Grant Programs – Separate line items are provided for the following system-wide programs, totaling \$30.6 million (\$29.9 million general fund and \$0.7 million federal funds):

- *EPSCoR (\$5.2 million, \$190,000 general fund)* – This includes an increase of \$440,000 over the 2003-05 adjusted appropriation.
- *Title II Grant (\$695,600 federal funds).*

- *Professional Liability Insurance (\$1.4 million general fund)* – This level of funding is \$500,000 less than what was provided in 2003-05 for medical malpractice coverage premiums and continued coverage for student internship programs.
- *Operations Pool (\$388,559 general fund)* – This is approximately \$190,000 less than the level of funding that was provided in 2003-05.
- *Contingency, Extraordinary Repairs and Capital Emergency Fund (\$436,923 general fund)* – This includes a general fund increase of \$14,318, over the 2003-05 adjusted appropriation.
- *Common Information Services (CIS) (\$20.6 million general fund)* – This pool includes base funding for the Chief Information Officer, IVN, ODIN, HECN and NDUS Online, as well as increases (\$2.0 million) for the following: Parity \$1.0 million; Network Growth \$825,000; and Virus License Software \$175,000.
- *Equity Pool (\$2.0 million general fund.)*

Board Initiatives – This general fund block grant, totaling \$1.9 million will be used to address SBHE and statewide priorities, consistent with the recommendations of the Roundtable, and includes an increase of \$466,142 over the 2003-05 adjusted general fund appropriation. Section 4 (SB2003) requires that \$200,000 of the funding must be used for a grant to the space grant consortium to match federal funds.

Capital Bond Payments – The NDUS budget includes \$14.3 million (\$13.0 million general fund and \$1.3 million other funds) for capital construction bond payments.

NDUS Office 2003-05 General Fund Carryover – Section 25 (SB 2003) requires that \$250,000 in 2003-05 unspent general fund appropriation authority in the NDUS Office be allocated as

follows: \$150,000 to VCSU (\$108,000 for tuck pointing, \$32,000 for bleacher project and \$10,000 for sound system) and \$100,000 for internships in the ND trade office.

Upper Great Plains Transportation Institute, Northern Crops Institute, Extension Service and Research Stations

The 2005-07 legislative appropriation for UGPTI, NCI, Extension/Research includes a general fund increase of \$5.8 million over the 2003-05 adjusted general fund appropriation, and will provide funding for the following:

- Salary increases of 4 percent per year and health insurance increases - \$3.5 million.
- Operating inflation - \$273,004.
- Increases for the following, totaling \$2.0 million:
 - Beef systems center of excellence - \$450,000.
 - Soil conservation - \$50,000.
 - Western malting barley - \$228,201.
 - Ethanol malting barley - \$59,799.
 - Crop quality promotion specialist - \$120,000 (plus \$39,605 other funds).
 - Dry bean geneticist - \$150,000 (plus \$50,000 other funds).
 - Extraordinary repairs - \$325,165.
 - UGPTI increase to meet the required budget guidelines to qualify as a regional university transportation center - \$300,532.
 - UGPTI transportation study - \$360,000.

Section 10 (SB 2020) provides that up to \$100,000 of the extraordinary repairs be used to construct an equipment storage facility at the Williston Research Center.

Elementary and Secondary Education



The 2005 Legislative Assembly enacted many of the education initiatives proposed by Governor Hoeven, but made noteworthy changes in several areas. Governor Hoeven proposed increasing education spending by \$37.5 million, with approximately \$22.8 million dedicated to increasing state school aid payments. The Legislative Assembly increased education funding by \$39.5 million, with approximately \$28.2 million directed to increasing state school aid payments.

State School Aid

The state school aid program distributes payments to school districts based on the number of students in each school, with adjustments for the school size and grade level. The Legislative Assembly was able to increase the executive recommendation for state school aid, primarily by reallocating funding proposed for other programs, by an additional \$5.4 million. The resulting increase of \$28.2 million increased per student payments by \$142 the first year of the biennium and \$114 the second year.

Efforts were made to not only increase the amount of funding distributed through the state school aid formula, but also to improve the formula itself. The Legislative Assembly accepted the Governor's proposal to improve the equity of the school aid formula by reducing the number of weighting factor categories (based on school size) and providing that no school will have a factor set below 1.0. In addition, the Legislative Assembly approved the Governor's proposal to increase supplemental payments for isolated schools to recognize the unique costs and long-term need for these schools.

The state school aid formula includes a mill deduct provision which redistributes state aid payments based on school district property values. The mill deduct provision provides that the mill deduct rate set in statute is multiplied by a school district's taxable property valuation and the resulting amount is deducted from their state school aid. The result is that property poor districts receive proportionally more state aid; property wealthy districts receive proportionally less. The Governor recommended the continuation of the mill deduct escalator implemented by the 2003 Legislative Assembly, providing for automatic increases of 2 mills per year. The Legislative Assembly accelerated this process by providing that the mill deduct will increase by 2 mills the first year of the biennium, but will increase by 3 mills each year thereafter.

Supplemental Equity Payments

Supplemental equity payments are distributed to qualifying schools that are below the state average in educational expenditures per student and below the state average in taxable property value per student. The Governor proposed increasing these payments by 50 percent, from \$5.0 million to \$7.5 million due to the fact that these payments target monies to those schools that are most in need of additional funding and that have the most limited ability to raise that money locally. The Legislative Assembly removed the proposed increase and continued the program at \$5.0 million for the 2005-07 biennium. However, the Legislative Assembly improved the supplemental payment formula by refining how a district qualifies. Payments will now be limited to districts levying at least 180 mills and having a small carryover balance.

Teacher Salaries

After years of languishing at the bottom of national rankings regarding teacher salaries, North Dakota teachers finally gained ground on their peers in other states under Governor Hoeven's teacher compensation plan, which was first implemented in 2001. For the 2005-07 biennium, Governor Hoeven proposed increasing statutory minimum salaries by \$3,000, to provide that by the 2006-07 school year no full-time teacher would be paid less than \$24,500 per year. The Legislative Assembly agreed that teacher salary minimums should increase, but raised the level by the lesser amount of \$1,000 over the next two years. The Legislative Assembly continued provisions recommended by the Governor that school districts be required to use at least 70 percent of increased state school aid and tuition fund distributions for the purpose of increasing teacher salaries.

Joint Powers Agreements

Joint powers agreements (JPAs) are administrative agreements between school districts to provide for the cooperative delivery of programs, services, or administrative functions. JPAs offer cost saving opportunities for school districts and equity in educational, vocational, and extracurricular opportunities for students. To support this "grass roots" effort underway in North Dakota, Governor Hoeven proposed \$2.0 million in payments to encourage new JPAs and strengthen and improve existing JPAs. The Legislative Assembly reduced this appropriation to \$1.0 million, but provided that an additional \$1.0 million could be spent if it becomes available at the end of the 2005-07 biennium from otherwise unspent state school aid monies.

The schedule on the following page shows the 2003-05 appropriation, the 2005-07 recommendation, and the 2005-07 appropriation for state school aid and other major grants to school districts.

**DEPARTMENT OF PUBLIC INSTRUCTION
STATE SCHOOL AID AND OTHER GRANTS
2003-05 APPROPRIATION, 2005-07 RECOMMENDATION AND LEGISLATIVE VERSION**

	2003-05 Appropriation	2005-07 Executive Recommendation	2005-07 Legislative Appropriation	Legislative Increase (Decrease) From Executive Recommendation	Legislative Increase (Decrease) From 2003-05 Appropriation
Grants					
State school aid - per student payments	\$453,929,990	\$476,703,759	\$483,403,759 \2	\$6,700,000	\$29,473,769
State school aid - transportation	34,800,000	34,800,000	33,500,000 \2	(1,300,000)	(1,300,000)
English language learner payments	650,000	650,000	650,000 \2	0	0
Total state school aid	<u>\$489,379,990</u>	<u>\$512,153,759</u>	<u>\$517,553,759</u>	<u>\$5,400,000</u>	<u>\$28,173,769</u>
Teacher compensation	51,854,000	50,912,120	50,912,120 \2	0	(941,880)
Special education	49,898,695	52,500,000	52,500,000 \2	0	2,601,305
Revenue supplement	5,000,000	7,500,000	5,000,000 \2	(2,500,000)	0
JPA incentives	0	2,000,000	1,000,000 \1	(1,000,000)	1,000,000
Reorganization bonuses	500,000	500,000	759,000 \1	259,000	259,000
Other grants	2,916,117	3,147,617	3,281,117	133,500	365,000
Tuition apportionment	69,495,371	71,600,000	71,600,000	0	2,104,629
Total state school aid and other grants	<u>\$669,044,173</u>	<u>\$700,313,496</u>	<u>\$702,605,996</u>	<u>\$2,292,500</u>	<u>\$33,561,823</u>
Less tuition apportionment	<u>69,495,371</u>	<u>71,600,000</u>	<u>71,600,000</u>	<u>0</u>	<u>2,104,629</u>
Total general fund	<u><u>\$599,548,802</u></u>	<u><u>\$628,713,496</u></u>	<u><u>\$631,005,996</u></u>	<u><u>\$2,292,500</u></u>	<u><u>\$31,457,194</u></u>
Per student payments					
First year	\$2,509	\$2,726	\$2,765	\$39	\$142
Second year	\$2,623	\$2,826	\$2,879	\$53	\$114
Teacher payments					
First year teachers	\$1,000	\$1,000	\$1,000		
Second year teachers	\$3,000	\$3,000	\$3,000		
Mill deduct					
First year	34 mills	38 mills	38 mills		2 mills
Second year	36 mills	40 mills	41 mills	1 mill	3 mills

\1 HB 1154

\2 HB 1013

Career and Technical Education

The Department of Career and Technical Education provides leadership, technical assistance and fiscal support in career and technical education to public school districts, state colleges and universities, state institutions and tribal colleges.

The Governor's recommendation was \$28.4 million, of which \$17.2 million was from the general fund. The legislature approved the budget at \$28.1 million with \$16.8 million from the general fund. The approved funding provides an increase in grants to schools of \$1.9 million.

The Governor's budget recommendation provided funding for the Emerging Technology program. This program will provide six high-tech consortiums with equipment and associated curriculum. The technology units will be rotated for use among the 67 schools included in the consortium. The Legislative Assembly approved a general fund appropriation of \$900,000 out of the \$1.5 million included in the Governor's recommendation for this program.

The Adult Farm Management program received additional funds of \$100,000 from the general fund, bringing the total funding for the Adult Farm Management line item to \$725,760. In order to provide a better reimbursement rate to the programs, additional funding from the grants line and marketing clubs may be committed to the program, as determined by the Career and Technical Education Board.

New and emerging programs received additional funding of \$490,000. The funding will be used to restore the reimbursement rates to schools. Due to reduced available resources, the rate was reduced from 25 percent to 24 percent in the 2003-05 biennium. In addition, \$250,000 from the general fund was added to the grants line, which may be used for regionalization of vocational centers, distance learning, updating and maintaining the ImagineND career development program (funded in the 2003-05 biennium) and workforce training.

Also approved was \$1.4 million for Workforce Training, a program that provides grants to schools to form industry and school partnerships.

HEALTH AND HUMAN SERVICES***Department of Human Services***

The Department of Human Services serves approximately one in every five state residents through direct services, programs administered by the counties, and through private providers under contract with the state. Programs administered by the Department include Medicaid, Temporary Assistance for Needy Families, Food Stamps, and the Children's Health Insurance program. The legislative appropriation for the Department of Human Services is \$1.680.1 million total funds, an increase of \$171.2 million total funds, or 11.3 percent over the 2003-05 legislative appropriation.

Providers of services under the various grant and assistance programs of the Department of Human Services (DHS) were given a 2.65 percent inflationary increase each year of the upcoming biennium. The Governor's budget recommended a 2.0 percent increase for providers with the Legislative Assembly adding another 0.65 percent. Inflationary increases to providers have not been granted since state fiscal year 2002 except for nursing facilities and basic care facilities where the NDCC or administrative rules provided for the increases.

The executive budget recommended and the Legislative Assembly approved funding for the next phase in replacing the state's outdated Medicaid Management Information System (MMIS), which handles payments to providers and also provides data to manage the Medicaid program with a commitment of \$29.2 million. The majority of the project is funded with Medicaid funds at a matching ratio of 90 percent federal funds/10 percent general fund equivalent dollars.

The budget for economic assistance includes funding of the Indian County Allocation at 100 percent of costs which exceed the average mills statewide. The previous level of reimbursement was set in statute at 90 percent. The increased funding over the current biennium is \$500,000, entirely from the general fund.

The Legislative Assembly provided funding for Alternatives to Abortion with TANF dollars (\$500,000), as outlined in SB 2409.

The executive budget recommended and the Legislative Assembly approved funding for proposed federal regulations known as PERM (Payment Error Rate Management). These regulations require the Department to increase the verification of eligibility determinations made by the counties for the Medicaid program along with reviewing a total of actual Medicaid payments for over and under payments. \$1.2 million is dedicated to the effort with \$600,000 from the general fund.

The budget for child support includes funding for the Lake Region Child Support Enforcement Unit continued at the current level of \$215,000 from the general fund and applicable federal match.

Medicaid

The Medicaid area of the budget continues to see increased utilization, particularly in the areas of inpatient hospitalization, outpatient hospitalization and physician services. The continuous rise of healthcare costs is concerning. The decreasing FMAP only complicates the issue by requiring additional state resources just to provide services at the current levels. The decreased participation by the federal government



is based on increases in per capita income levels rising more quickly in North Dakota in contrast to other states.

The legislative appropriation for the Healthy Steps program was increased to accommodate additional children that are known to be eligible for the program but have not yet enrolled. Research regarding current system changes indicated that these children would be enrolled shortly after the start of the biennium. Total increase beyond the Department's recommended budget was just over \$2.0 million, with \$428,000 from the general fund.

HB 1181 provided for an increase in the amount that may be set aside for funeral expenses for those eligible under the Medicaid program. The amount of set-aside was increased from \$3,000 to \$5,000. The estimated cost to the Medicaid program with this change is \$1.3 million in total funds with \$400,000 from the general fund.

HB 1460 provides \$100,000, with \$50,000 from the general fund, to obtain actuarial services for developing actuarially based methodologies for setting medical assistance payment rates and developing Department budget recommendations, performing and reviewing data analyses, along with similar such tasks.

The Legislative Assembly, in HB 1465 provides \$50,000 from the general fund for securing a consultant to assist with the implementation of Medicare Part D.

SB 2395 provided a set payment of up to \$50,000 per child per biennium for costs associated with Russell Silver Syndrome. The legislation also allows families to forgo the income eligibility criteria for this specific service under the Children's Special Health Services Unit of the Medical Services Division.

Long Term Care Continuum

The Legislative Assembly removed from statute the formula previously used to set inflationary adjustments for nursing homes and included uniform increases for all similar providers of the Department under the various grant programs.

Home and Community Based Services were funded at the projected caseload levels presented by the Department during the legislative session. This resulted in a 20.8 percent increase in total funding for this area of the budget.

Aging Services

The Legislative Assembly removed the funding for the mill levy match from the DHS budget but ensured the continued distribution of the funds to counties under SB 2267. The amount estimated to be provided next biennium under this new distribution is \$2.0 million, which is over \$300,000 more than was included in the Governor's budget recommendation.

SB 2028 provides for a guardianship services system. The appropriation section of this bill as introduced included \$772,500 from the general fund. The bill passed with a reduced appropriation of \$40,000 and states that the DHS may create and coordinate a unified system for the provision of guardianship services to vulnerable adults who are ineligible for developmental disabilities case management services. Expectations of the bill further indicate that the Department will contract for the services mentioned in the bill.

Children and Family Services

The Legislative Assembly approved an increase in the budget for child welfare services due to the rise in foster care placements due largely to increased methamphetamine usage across the state but particularly in the northeast region.

Additional funding was added for treatment service payments made to residential child care facilities (RCCFs.) The facilities rates were increased to \$15 per day maximum, or current costs, whichever is lower. The maximum level had been \$11.51 per day.

Mental Health and Substance Abuse

Compulsive gambling services and prevention was funded at a set amount of \$400,000 per biennium from the proceeds of the lottery.

Treatment services targeted toward methamphetamine (meth) addiction was the focus of two separate treatment bills. SB 2373 calls for the DHS to issue an RFP (request for proposal) to provide up to 20 beds for treatment of meth and other controlled substances. The bill includes funding at \$1.3 million with \$500,000 from the general fund. SB 2341 provides for a pilot treatment program in cooperation with the Office of the Attorney General and the Department of Corrections and Rehabilitation (DOCR) to be located in the northeast region of the state. The bill states that the number of referrals from the correction system shall not exceed 23. The implementation of this pilot is to occur three months after the department receives notification of the grant award from the federal government.

Disability Services Division

DD providers are scheduled to receive a 15 cent hourly increase in year one and another 20 cent hourly increase in year two of the upcoming biennium. These increases amount to \$4.2 million in total - \$1.5 of general fund or equivalent monies.

The Legislative Assembly increased funding by \$570,000 in total, with \$200,000 from the general fund, for services

associated with children having extensive medical needs and who reside in an institutional or similar setting.

The challenge ahead includes handling the overall, unspecified reduction of \$1.4 million in total funding; \$500,000 from the general fund in the recommended budget for the DD grants, along with \$100,000 general fund reduction to the budget recommendation for those individuals who are not screenable for the DD waiver under the Medicaid program but still require support to live in the community.

State Hospital

During the fall of 2004 the number of sexual offenders committed to the State Hospital increased significantly. The Legislative Assembly approved a \$3.0 million increase to the secured services budget of the institution, which will provide for 42 beds. This is an increase of 10 beds from the current level.

Developmental Center

The DHS continues to look for community options for the residents of the Developmental Center and the Legislative Assembly provided \$50,000 transition funds to assist in the process. The operating reduction (\$750,000 total funds; \$250,000 from the general fund) made to the recommended budget for the Developmental Center will present a challenge as the dropping FMAP also has an effect on this Medicaid funded facility.

Human Service Centers

The adjustments made by the Legislative Assembly include a \$400,000 operating reduction in addition to the salary under funding of \$460,000.

Health Department

The Health Department has the responsibility of ensuring good health to North Dakota's citizens and ensuring that they have a healthy place in which to live. Providing the best possible health environment is accomplished by the staff in each of the sections of the Health Department: Medical Services, Community Health, Health Resources, Environmental Health, and Emergency Preparedness and Response.

The Governor recommended a budget of \$126.6 million total funds, of which \$14.4 million was from the general fund. The Legislative Assembly approved an appropriation of \$125.7 million including \$13.5 million from the general fund.

The final legislative appropriation includes the following:

- Changes the funding source for Healthy North Dakota from \$500,000 general fund dollars to \$135,000 from special and federal funds. The 2.50 FTE were eliminated and the program was funded as contract services related to a worksite wellness pilot project. The legislature also requested that a Legislative Council study be conducted relating to the costs and benefits of adopting a comprehensive healthy North Dakota and workplace wellness program in collaboration with other health related entities.
- Funding for food and lodging inspections was changed from the general fund to special funds from license fees. The Health Department was given authority to adopt administrative rules establishing the amount of the annual license fees. The Legislative Assembly removed the additional 1.00 FTE for inspections, which was included in the executive recommendation. The

legislature required that the Legislative Council study the public health unit infrastructure and food and lodging inspections.

- Funding of \$489,500 was eliminated for the scholarship and nurses' student loan repayment grant program. The program had been funded from the health care trust fund.
- The quick response unit pilot project funding was reduced from \$225,000 to \$125,000, which is funded from the health care trust fund.
- Funding was provided for a federal grant of \$700,000 to address arsenic issues in southeastern North Dakota.
- Funding for the physician loan repayment program remained at the 2003-2005 level of \$75,000.
- The funding and 1.00 FTE for the asthma program was eliminated with the condition that it can be requested from the Emergency Commission if the federal funds become available.
- Domestic violence prevention received an additional appropriation of \$60,000. The anticipated increase is a result of SB 2361 which increased marriage license fees.
- Additional funding authority was approved by the legislature for abstinence programs. If the Health Department secures federal or other funding, authority for \$220,000 was granted in addition to current funding of \$185,000.
- The legislature concurred with the 1.00 FTE included in the Governor's recommendation for a grants management tobacco coordinator.
- The legislature appropriated an additional \$40,000 for a total of \$420,000 from the community health trust fund for the dental loan program, which provides funding for the placement of dentists in rural communities.

Veterans' Home

The North Dakota Veterans' Home provides quality care to North Dakota veterans' and their spouses in a place where they can continue to live as independently as possible. Basic and skilled care nursing services are available to meet their needs. The total executive recommendation for the Veterans' Home was \$11.4 million. Funding was approved at \$11.3 million, including \$4.3 million from the general fund. The general fund appropriation includes reductions from the executive recommendation of \$40,000 in salaries and \$25,000 in operating.



The executive recommendation included funding of \$603,000 from the general fund for a pharmacy, and the legislature concurred. The Veteran's Home built a pharmacy in the 2003-2005 biennium as a result of the federal government enforcing a statute that requires that the VA per diem cover pharmaceutical and primary care services for veterans. Effective January 1, 2005, the Veterans' Home became responsible for providing those services to skilled and basic care residents.

Department of Veterans' Affairs

The Department of Veterans' Affairs provides a loan program to give temporary emergency financial assistance to eligible honorably discharged veterans or their widows. It also assists County Veterans Service Officers in assisting all veterans of North Dakota in obtaining benefits to which they are entitled. The Governor's recommendation for the Department of Veterans' Affairs was \$677,337; the legislature approved a budget of \$653,668, a reduction of \$23,669.

The Governor restored funding for 1.50 FTE and related operating expenses from the general fund. Due to budget reductions over the past several bienniums, those expenses were being paid out of the post war trust fund. Also provided in the Governor's budget was funding to complete recommendations made by the State Auditors Office in the performance audit conducted over the 2003-05 biennium.

Children's Services Coordinating Committee

The Children's Services Coordinating Committee (CSCC) coordinates the delivery of services to children and adolescents who are at risk. The primary focus of the agency was to distribute funds to regional and tribal children's services coordinating committees. The executive recommendation did not provide any appropriation authority to this agency for the 2005-2007 biennium. Legislation was introduced that allowed a continuing appropriation to the committee for the purpose of furthering the objectives of the committee. A continuing appropriation was also granted to the regional or tribal children's services coordinating committees allowing them to accept funds, services or other assistance from any source.

This legislation is due to changes in the federal definitions of what qualifies for reimbursement under the federal programs. Due to these changes, the committee and partnering agencies have had to change their focus from awarding local grants to leading collaboration efforts maximizing the continuation of programs for children.

REGULATORY***Industrial Commission***

The Industrial Commission is comprised of four divisions including their administrative office, Division of Geological Survey, Municipal Bond Bank and the Oil and Gas Division. The Industrial Commission budget also includes special funds for lignite research, marketing, transmission and environmental studies. Effective August 1 of 2005, as proposed by the Governor and authorized by the Legislative Assembly, a new North Dakota transmission authority was statutorily added to the Industrial Commission to develop and build in cooperation with the private sector new transmission lines for exporting energy generated from North Dakota's lignite and wind resources.

The executive recommendation for the Industrial Commission was \$50.5 million, of which \$6.9 million was from the general fund. The Legislative Assembly approved the budget at \$50.7 million. The only fiscal changes were a result of the salary compensation package.

Included in the Governor's recommendation and approved by the Legislative Assembly are bond payments of \$27.3 million including \$14.3 for University System major projects, \$3.0 million for Corrections, \$1.2 million for university system energy conservation projects and \$5.4 million for ConnectND.

As recommended by the Governor, with concurrence from the Legislative Assembly, the divisions of Geological Survey and Oil and Gas will merge into the Department of Mineral Resources. The consolidation results in an estimated \$480,000 general fund savings and a reduction of 5.00 FTE. In consideration of rising oil costs and an anticipated increase in production in North Dakota oil fields, the Legislative Assembly

included a contingency line of \$225,000 from the land and minerals trust fund and authorization to hire 2.00 additional FTE. The trigger for use of the contingency line item is if the drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period.

Municipal Bond Bank

As recommended by the Industrial Commission, with concurrence from the Legislative Assembly, the Municipal Bond Bank's name will be changed to Public Finance Authority on August 1, 2005. In addition, SB 2276 expanded the role of the Public Finance Authority effective August 1, 2005 to include the issuance of industrial revenues bonds for limited purposes.

***Bank of North Dakota***

The Bank of North Dakota, located in Bismarck, ND, is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, the Bank acts as a funding resource in partnership with other financial institutions, economic development groups and guarantee agencies.

The Governor's recommended budget for the Bank of North Dakota and its related economic development programs was \$51.4 million, of which \$5.7 million is from the general fund and \$43.3 million is bank profits and \$2.4 million is from the revolving beginning farmer fund. The executive recommendation included \$11.0 million for a new bank

building. The total legislative appropriation for the bank and its related programs was \$51.5 million, of which \$6.9 million are general fund dollars.

The Governor's budget recommendation maintained \$5.7 million from the general fund for the partnership in community expansion (PACE) fund; however, the funding source for the AgPACE and beginning farmer program was changed from general to special. The Legislative Assembly approved the PACE funding as well as transfers from the beginning farmer loan fund of \$1.4 million for the agriculture AgPACE fund and \$950,000 for the beginning farmer program. HB 1008 was also passed, transferring \$800,000 from the beginning farmer loan fund to the Public Service Commission to assist with funding the rail rate complaint case. The Governor had recommended that the rail case be financed by the general fund. Lastly, the Legislative Assembly approved in SB 2020, the continuance of the appropriation of \$800,000 from the AgPACE fund for the beef systems center of excellence. The funds will only be available if matching funds are raised for the project.

The Legislative Assembly also passed SB 2217 appropriating an additional \$1.2 million from the general fund for the new biodiesel partnership in assisting community expansion program. The funds will be used to buy down the interest rate on loans to eligible biodiesel production facilities for the purchase of real property and equipment, expansion of facilities, working capital and inventory.

The Legislative Assembly concurred with the Governor's proposal to construct a new bank building at a cost of \$11.0 million that will be paid by bank profits. The legislature further provided language that the bank must solicit bids with alternatives for footings that would allow for installing up to three additional floors in the future. The Bank may proceed with

the construction of additional footings once the Emergency Commission and Budget Section grant approval.

The Governor proposed, and the Legislative Assembly concurred, to transfer to the general fund \$9.0 million from investment earnings in the North Dakota student loan trust fund. Additionally, the Legislative Assembly transferred \$262,500 (HB 1397) from the student loan trust for the veterinary medical education program.

The Legislative Assembly concurred with the Governor's proposed transfer from the Bank to the general fund in the amount of \$60.0 million and increased the bank's minimum capital structure to \$150.0 million.

Public Service Commission

The Public Service Commission (PSC) is comprised of three elected officials charged with the responsibility of protecting the public interest through the regulation of gas and electric utilities, telecommunication companies, energy plant and transmission line sites, railroads, grain elevators, reclamation of mined coal land, and licensing operators of commercial weighing and measuring devices. The total recommended budget for the PSC was \$11.1 million, of which \$5.1 million was from the general fund and \$6.0 million was federal and special funds.

Based on the results of the preliminary rail rate case study funded in 2003-05, the Governor recommended that \$900,000 from the general fund be used by the Commission to proceed with a simplified rail rate complaint case with the Surface Transportation Board. If successful, this case could result in millions of dollars in savings for state producers and shippers. The Legislative Assembly increased the amount to \$945,000

and changed the funding source to \$800,000 from the beginning farmer revolving loan fund, \$20,000 of carryover, and \$125,000 of contributions by interested parties such as the Wheat Commission, ND Grain Growers and ND Farm Bureau.

As proposed by the Governor and approved by the Legislative Assembly, the Commission's metrology lab will be moving from the present location on the State Capitol grounds. The state's only metrology lab is currently located in a maintenance building that does not meet certification requirements. A general fund appropriation of \$70,000 was provided to lease a new building that meets national standards and \$16,000 was appropriated for a new lab balance.

Insurance Department

The Insurance Commissioner is responsible for providing consumer protection by certifying that insurance companies doing business in the state are doing so in accordance with laws and regulations. Additionally the office works to encourage a competitive market place that gives residents of North Dakota choices of quality insurance products. Insurance tax payments in the form of grants to local fire departments are also administered through the Insurance Commissioner's office.

The Governor's budget recommendation for the Office of Insurance Commissioner was \$12.5 million of special funds and the addition of 1.00 FTE for a total of 46.50 staff positions. The additional staff and resources are in the areas of senior health insurance counseling and the pharmaceutical drug access program. The legislature concurred with the recommendation for the agency budget; however, they significantly increased payments to fire departments from the current \$5.2 million to \$6.2 million including a \$16,000 increase to \$120,000 for the ND Firefighters Association. Legislative

changes also included an appropriation of \$100,000 of insurance tax collections to establish a Williston Basin oilfield training facility in Dickinson. Finally, \$50,000 of special funds from the insurance regulatory trust fund was approved for implementing methamphetamine security measures, including the purchase and distribution of locking devices in Walsh, Cavalier, and Pembina counties.



PUBLIC SAFETY***Highway Patrol***

The Highway Patrol is the state agency statutorily charged with the responsibility to provide security for the Capitol grounds and for certain state officials. The executive recommendation for the Highway Patrol for the 2005-07 biennium provided \$34.4 million in total funds, \$19.8 million from the general fund. The legislative appropriation provides \$34.8 million in total funds, \$20.1 million from the general fund.



Following a comprehensive study of the state's security needs, the Governor recommended that four positions be transferred from the Facility Management Division of the Office of Management and Budget to the Highway Patrol to consolidate all State Capitol security personnel within that agency. Previously, four security positions, along with funding for contract security services used at the State Capitol, were included in the budget for the Office of Management and Budget.

To facilitate the coordination of security at the State Capitol, the Highway Patrol transferred a patrol officer position to Bismarck and created a Chief of Capitol Security position during the 2003-05 biennium. The agency requested and the Governor recommended, that a new position be added to the Highway Patrol for the 2005-07 biennium to replace the eliminated patrol officer position. The Legislative Assembly approved the transfer of positions and funding from the Office of Management and Budget to the Highway Patrol, but did not grant the Highway Patrol authority for the requested additional position.

Department of Emergency Services (Formerly Division of Emergency Management)

Historically, the Division of Emergency Management has managed state emergency operations, directed disaster recovery efforts, and coordinated the statewide hazardous chemical preparedness and response program. During the 2003-05 biennium, the Governor reorganized the agency by adding to its responsibilities the administration of State Radio. The executive recommendation for the Division of Emergency Management provided \$62.1 million total funds, \$5.1 million from the general fund. The legislative appropriation provides \$63.0 million total funds, \$5.1 million from the general fund.

The Legislative Assembly approved the merging of State Radio functions with the Division of Emergency Management, but further reorganized the agency and renamed it the Department of Emergency Services. The new Department of Emergency Services is anticipated to consist of three divisions: State Radio, Homeland Security, and Administration. The Homeland Security Division will consist of three programs: the state operations center, disaster recovery, and homeland security.

Previously, the agency director reported to the Adjutant General. Under the new structure for the Department of Emergency Services, two deputy directors, one in charge of the Division of State Radio and the other in charge of the Division of Homeland Security, will each report directly to the Adjutant General and be appointed by the Adjutant General. The Adjutant General is named in statute as the director of the agency.

Department of Corrections and Rehabilitation

The Department of Corrections and Rehabilitation (DOCR) manages three adults and one juvenile correctional facility, as well as an array of community-based programs and supervised sanctions for adult and juvenile offenders. The executive recommendation for the DOCR for the 2005-07 biennium provided \$132.9 million in total funds, \$101.2 million from the general fund. The legislative appropriation provides \$128.9 million in total funds, \$101.1 million from the general fund.

In recent years, the Department has seen the number of prisoners under its supervision increase significantly. From 1999 through 2004, the number of adult inmates increased by over 40 percent, from 932 to 1,329. During that time, the number of individuals sentenced for drug related crimes has more than doubled, from 172 in 1999 to 466 in 2004.

The number of state prison beds has also grown during that time, but not adequately to house all inmates sentenced to the state's custody. This has resulted in the state's need to contract with county and out-of-state private prison facilities to house inmates. The 2003 Legislative Assembly attempted to address this issue by directing the department to contract with a regional county correctional facility in southwestern North Dakota to house all women inmates. This in turn freed up space to house more male inmates and eliminated management problems relating to operating the state's medium security prison in Jamestown as a co-ed facility.

Despite the fact that the county facility was unable to house inmates within the time frames or at the rate initially proposed, the 2005 Legislative Assembly continued the contracting arrangement and appropriated additional funding for this purpose. During the 2005-07 biennium, the state will likely

spend over \$7.1 million to contract with the Dakota Women's Correctional and Rehabilitation Center locating in New England to house the state's female inmates. This is approximately \$2.3 million more than the amount spent during the 2003-05 biennium.

During the 2003-05 biennium, the DOCR undertook an extensive analysis to identify and quantify salary inequities. One of the most pressing issues identified is the inequity of correctional officer salaries in comparison to similar positions in county correctional facilities. The agency requested \$4.2 million to address all salary equity issues within the Department, including those relating to correctional officers. The executive recommendation included \$1.0 million to address correctional officer salary issues only. The legislative appropriation provided \$1.5 million to address departmental salary equity issues, \$1.0 million of which is designated for correctional officers.

Highly publicized crimes committed by known sexual offenders have brought public awareness to the issue of supervising, treating, and incarcerating sexual offenders. To maintain North Dakota's status as the safest state in the nation, the Governor proposed a substantial increase in funding and staff to treat and supervise sexual offenders. The proposed increase was reduced by the Legislative Assembly, but still provides an additional 6.00 FTE to provide sexual offender treatment and supervision for offenders and an additional 3.00 FTE, which will be filled if necessary, to provide community supervision to civilly committed sexual offenders under the jurisdiction of the State Hospital.



The Governor recommended three new capital projects for the department: renovations to provide needed program and administrative space at the James River Correctional Center (JRCC); remodeling and renovating the housing unit at the JRCC, including renovations to provide increased bed capacity; and the construction of a new multipurpose food service and recreational building at the Missouri River Correctional Center (MRCC).

The Legislative Assembly authorized bonding in the amount of approximately \$1.6 million for the two JRCC projects, but did not approve the requested MRCC project.



AG / ECONOMIC DEVELOPMENT***Office of the Commissioner of Agriculture***

This office consists of four divisions: Executive Services, Livestock Services, Plant Industries and Agricultural Mediation. The Board of Animal Health and the Crop Harmonization Board are also included in the Commissioner's budget. Various agriculture-related programs administered by the agency include Pride of Dakota, state meat inspection, noxious weeds management, wildlife services, agriculture in the classroom, pesticide container disposal, water bank program and many more.



The executive recommendation for the Commissioner of Agriculture was \$14.3 million in total funds, including \$4.9 million from the general fund and \$9.4 million from special funds; legislative appropriation reflects a reduction in general fund dollars to \$4.5 million and a slight increase in special funds.

The state meat inspection program was developed to provide more economic opportunities to small livestock producers and meat processing establishments. The number of slaughter and processing plants has steadily grown from 4 in 2001 to an estimated 20 in 2005-07. The Governor added \$59,000 general fund dollars and \$56,000 federal funds for an additional on-site inspector. The recommendation was approved by the Legislative Assembly.

In order for the state to respond to the growing number of animal health issues and implementation of an animal

identification program, the Governor recommended an additional veterinarian and an assistant to the Board of Animal Health. The funds for the positions were removed by the Legislative Assembly. However, due to an increase in federal funding, the legislatively approved budget for the Board of Animal Health represents a \$1.3 million increase from the 2003-05 biennium.

Recommendation was made by the Governor to restore the annual Safe Send pesticide container disposal program at a cost of \$600,000. The Legislative Assembly agreed but made a slight reduction to \$580,000.

Wildlife services helps manage predator damage to livestock, blackbird damage to sunflower and other grain crops, beaver damage to trees and roadways, and other types of damage that account for millions in losses each year. The Governor recommended \$800,000 for this program of which \$550,000 is from the game and fish fund and \$250,000 from the general fund. The Legislative Assembly concurred and also provided a contingent appropriation of \$130,000 for wildlife services to replace potential losses in federal dollars. Total funding from the game and fish fund was increased to \$700,000.

The Governor concurred with the agency request to continue funding the agriculture in the classroom program at \$216,000 with a greater reliance on outside donations and gifts of \$95,000 to support the program. This program fosters an enhanced awareness by elementary and secondary school students of the importance of agriculture in the state's economy. The Legislative Assembly increased funding for this program by \$100,000 from the environment and rangeland protection fund.

The executive budget included \$225,000 for the Crop Harmonization Board from the environment and rangeland protection fund of which \$25,000 is for board administration and \$200,000 is to be transferred to the minor use pesticide fund for grants as determined by the board. The Legislative Assembly extended the sunset on the additional \$50 pesticide registration fee rather than repealing the sunset as proposed in the executive recommendation in HB 1009. The extension of the sunset provided an additional \$250,000 to be used for salt cedar eradication.

Department of Commerce

The creation of the North Dakota Department of Commerce was proposed by Governor Hoeven and statutorily created by the 57th Legislative Assembly. It combines Community Services, Economic Development & Finance, Tourism and Workforce Development under one umbrella to strengthen, streamline and improve economic development in the state. The Legislative Assembly took action to formally establish in 2005-07 an international business and trade office within Economic Development and an office of renewable energy and energy efficiency within Community Services.



The Governor's recommendation for the 2005-07 biennium provided \$128.6 million in total funds, including \$23.1 million from the general fund of which \$5.0 million was reserved for the centers of excellence. The Governor recommended \$105.4 million federal and special funds, of which \$50.0 million provided a funding mechanism for the centers of excellence. The Legislative Assembly approved a total budget of \$76.6 million of which \$19.2 is from the general fund and \$57.5 from federal and special funds.

The Legislative Assembly funded the centers of excellence; however, spending authority was transferred from the Department of Commerce to the Office of Management and Budget (OMB). No general fund dollars were directly appropriated for the centers. The Legislative Assembly gave OMB authority to borrow up to \$15.0 million from the Bank of North Dakota to be repaid from the permanent oil tax trust fund. A contingency of \$5.0 million, subject to Budget Section approval, was also made available for centers of excellence. Section 14 of SB 2018 provides legislative intent to make an additional \$30.0 million available for centers of excellence in future biennia.

According to Section 14 of SB 2032, the State Board of Higher Education (SBHE) is responsible to establish a centers of excellence program. A center must be an institution of higher education under the control of the SBHE and must be working in partnership with the private sector. Funding award recommendations are made to the ND Economic Development Foundation and the Budget Section of the legislative council for final approval.

The Governor provided and the Legislative Assembly concurred with an additional \$105,000 and 1.00 FTE to take on the responsibilities related to greater accountability recipients receiving economic development grants, loans, and tax credits.

The Legislative Assembly also provided funding of \$360,000 and 3.00 additional staff positions for a Native American business office, business hotline and image information programs, and the administration of a legislative initiative for learning vacations.

As recommended by the Governor, general fund dollars of \$400,000 are set aside in the Commerce budget for the Red

River Valley research corridor to match federal funds, \$155,000 to the Center for Technology and \$250,000 for the partners in marketing grant program. Additionally, the Legislative Assembly added general fund dollars of \$100,000 for a life science sector development grant and \$50,000 for a rural development council grant.

The Legislative Assembly agreed with the Governor's recommendation to provide \$500,000 from the development fund for international business and trade. The funds require matching of \$1 private funds to \$2 from the development fund. The Legislative Assembly took further action by statutorily authorizing the trade office in the Commerce Department. The budget for the office of international business and trade was enhanced by the Legislative Assembly with the addition of a \$200,000 transfer from Mill and Elevator profits with the same matching requirements as the development fund, and \$100,000 in the University System budget for export internships.

As a result of the Primary Business Congress interim committee, and subsequent legislative action, the Department of Commerce was also appropriated \$500,000 of general fund dollars to implement a number of suggested economic initiatives.

The Governor recommended, and the Legislative Assembly concurred with an appropriation of \$3.85 million for the Lewis & Clark line item. The funding is basically at the same level as 2003-05. The one cent lodging tax sunset date will result in an estimated \$3.0 million in revenue for 2005-07.

NATURAL RESOURCES / TRANSPORTATION

Lewis and Clark Bicentennial Event

The historic expedition of William Clark and Meriwether Lewis occurred during the years 1803-1806. The publicity surrounding the 200 year anniversary of the Lewis and Clark “Corps of Discovery” expedition has generated a renewed interest in the historical significance of the expedition. Tourists from around the country and around the world are retracing the steps of these two famous explorers, presenting North Dakota with a unique opportunity to showcase our quality historical sites and the significance of those sites to the Lewis and Clark expedition.

Legislative appropriations to develop the infrastructure and promotional campaigns necessary to showcase North Dakota began with the 1999-2001 biennium and will conclude with the 2005-07 biennium. The Governor recommended \$5.7 million for 2005-07 Lewis and Clark initiatives; the 2005 Legislative Assembly appropriated \$5.6 million, funded from regular general fund revenues and the proceeds of a one percent lodging tax deposited in the general fund and earmarked for Lewis and Clark bicentennial event marketing efforts. The lodging tax is anticipated to provide approximately \$3.1 million for the 2005-07 biennium.

The following schedule shows the recommended and appropriated amounts for the 2003-05 biennium appropriation and the 2005-07 biennium recommendation and appropriation for the four agencies primarily involved in the Lewis and Clark Bicentennial initiatives:

<u>Agency</u>	<u>2003-05 Appropriation</u>	<u>2005-07 Recommendation</u>	<u>2005-07 Legislative Appropriation¹</u>
Dept. of Commerce	3,851,911	\$3,933,212	\$3,932,644
Historical Society	923,746	933,217	932,420
Council on the Arts	163,750	108,300	108,300
Parks & Rec. Dept.	760,618	617,772	617,335
Total	\$5,700,025	\$5,592,501	\$5,590,699
General Fund	5,310,025	\$5,592,501	\$5,590,699
Other Funds	390,000		
Total	\$5,700,025	\$5,592,501	\$5,590,699

¹ Amounts do not include additional salary funding included in HB 1050.

Historical Society

The Historical Society is the state agency charged with responsibility to preserve artifacts and documents of historical significance. The executive recommendation for the 2005-07 biennium provided \$11.6 million total funds, \$7.6 million from the general fund. The legislative appropriation provides \$18.0 million total funds, \$8.1 million from the general fund.

The executive recommendation included \$1.6 million, of which \$800,000 was from the issuance of bonds, for the renovation and expansion of the Chateau Interpretive Center in Medora, the state’s most visited historical site. The recommendation also included \$250,000 from the general fund to allow the agency to purchase and install compact storage shelving for state artifacts, making the most effective use of limited storage space. The legislative appropriation includes funding for both of these projects as proposed in the executive budget.

In addition to the above projects, the Legislative Assembly authorized the issuance of bonds in the amount of \$5.5 million, along with \$200,000 of federal funds, for the construction of an addition to the Heritage Center. The addition will expand the archive storage area and allow the agency to continue collecting the multitude of historically significant documents it is charged with the responsibility to preserve and maintain. The Legislative Assembly also added \$400,000, of which \$200,000 is from the general fund, to begin construction of an interpretive center at Fort Abercrombie in southeastern North Dakota.

The executive budget included \$75,000 to continue the cultural heritage grant program, a program initiated by the 2003 Legislative Assembly to provide small matching grants to local entities for projects, programs, or events relating to the preservation or celebration of our cultural heritage. The 2005 Legislative Assembly added \$250,000, to provide a total of \$325,000 for the program for the 2005-07 biennium.

Game And Fish Department

The Game and Fish Department manages publicly owned wildlife resources for the State of North Dakota. The executive recommendation for the 2005-07 biennium provided \$48.5 million total funds; the legislative appropriation provides \$51.2 million total funds.

The executive recommendation provided authorization for five new positions: two wildlife biologists and a wildlife technician, one fisheries biologist, and one license clerk. The Legislative Assembly supported this recommendation and included all five positions in the legislative appropriation.

The Legislative Assembly increased the recommended appropriation in three major areas:

- \$800,000 was added for boat ramp improvements, primarily to address low water access at Lake Sakakawea.
- \$750,000 was added to participate in the reconstruction of the road leading to Grahams Island State Park, which must be raised to maintain park and boat ramp access in the face of the rising waters of Devils Lake.
- \$1.0 million was added in House Bill No. 1189 for an expansion of the agency's private land access initiative to include a community partnership component.

Parks And Recreation Department

The Parks and Recreation Department operates and maintains the state's extensive park and nature preserve system, as well as snowmobile and all-terrain vehicle trails and safety programs. The executive recommendation for the 2005-07 biennium provided \$20.9 million total funds, \$7.9 million from the general fund. The legislative appropriation provides \$21.0 million total funds, \$7.5 million from the general fund.

The executive recommendation included \$700,000, of which \$350,000 was from the issuance of bonds, for the construction of a new visitor's center at Turtle River State Park. The Legislative Assembly supported this recommendation. The Legislative Assembly also added federal funds spending authority in the amount of \$200,000 for boat ramp improvements to maintain boating access on Lake Sakakawea.

State funding provided to the International Peace Garden is appropriated to the Parks and Recreation Department, which serves as the fiscal agent for distribution of these funds. The executive recommendation included continuation of state support for International Peace Garden infrastructure and operations in the amount of \$352,854, the same level

appropriated for the 2003-05 biennium. In addition, the executive recommendation included \$250,000 for planning efforts relating to the proposed construction of an international conflict resolution center at the International Peace Garden. The Legislative Assembly supported these recommendations. In addition, the Legislative Assembly appropriated \$350,000 from the permanent oil tax trust fund (SB 2228) for a grant to support capital projects at the International Music Camp, which is located on the grounds of the International Peace Garden.

Water Commission

The Water Commission is the state agency charged with regulating and developing the state’s water resources. The executive recommendation for the 2005-07 biennium provided \$112.8 million total funds, \$2.1 million from the general fund. The legislative appropriation provides \$126.1 million total funds, \$1.0 million from the general fund.

The executive recommendation included authority for the 2003-05 issuance of \$60.0 million in bonds for various water projects, to be repaid with revenues deposited in the water development trust fund. The source of revenues for the water development trust fund is 45 percent of the moneys received by the state as a result of the tobacco manufacturers’ master settlement agreement. The Legislative Assembly obligated all available and anticipated future water development trust fund revenues by authorizing an additional \$7.0 million in bonds, for a total of \$67.0 million during the 2003-05 and 2005-07 bienniums. Assuming current projections for tobacco settlement revenues hold true, additional bonds could only be issued in the future if additional general fund moneys are appropriated to the Water Commission and there is a corresponding reduction in the amount of trust fund monies used for administrative costs.

The 2003 Legislative Assembly funded all administrative costs of the Water Commission, approximately \$10.0 million, from the water development trust fund. In order to provide additional funding for water projects, the executive recommendation for the 2005-07 biennium included a \$2.1 million general fund appropriation for Water Commission administrative costs, freeing up \$2.1 million of water development trust fund moneys to be used for water projects. The Legislative Assembly reduced this general fund appropriation to \$1.0 million, but provided legislative intent that the 2007-09 biennium executive budget further reduce the use of water development trust fund moneys for Water Commission administrative costs and that for the 2009-11 and subsequent bienniums the water development trust fund not be used for Water Commission administrative costs.

Transportation

The Department of Transportation (DOT) oversees the development of surface transportation in the state, including highways, rail service, and transit services. The appropriated budget for DOT is \$944.0 million, an increase of \$159.6 million or 20.3 percent over the 2003-05 legislative appropriation. The increase consists of GARVEE bonds for Memorial Bridge and Highway 2, increased funding for transit, and additional federal construction funds with the required state match. The DOT appropriation continues to match all federal funding available. This revenue enhancement to match federal funds is provided in the following schedule:

	Total	DOT	Cities	Counties
Motor Vehicle Reg. Provisions	\$ 13.4	\$ 13.4	\$ 0.0	\$ 0.0
Pickup Truck Provision	3.8	2.4	0.6	0.8
Fuel Tax Provisions	20.4	12.8	2.9	4.7
Total	\$ 37.6	\$ 28.6	\$ 3.5	\$ 5.5

EMPLOYEE COMPENSATION

The recommended salary package included a 4 percent salary increase effective July 1, 2005 and another 3 percent salary increase effective July 1, 2006. Agencies were authorized to provide an additional 1 percent salary increase July 1, 2006 if funds could be generated through efficiencies in the budget. The Legislative Assembly fully funded a 4 percent salary increase July 1, 2005 and a 4 percent salary increase July 1, 2006.

The Governor's budget recommended, and the legislature approved, continuing full health insurance coverage for state employees and their families. The total cost for health insurance coverage is \$553.95 per month per employee. This is a \$65.25 or 13.4 percent increase over last biennium.

The monthly rate for the employee assistance program (EAP) increased from \$1.35 to \$1.42 per month. This is the first rate adjustment to EAP since the program began in 1997.

In addition to the compensation package noted in the above paragraphs, the budget recommended moving employee salaries closer to market. A total of \$5.0 million was included in the executive budget for this purpose. The \$5.0 million was \$2.5 million general fund and \$2.5 million non-general funds. Employees furthest from the market would have received the largest increases.

The executive recommendation provided an additional \$1.0 million from the general fund to address market equity issues in the Department of Corrections and Rehabilitation.

The legislature did not approve the equity pool. Instead, appropriations for equity increases were included directly in the agency budgets of the Department of Corrections and Rehabilitation (\$1.5 million), and the Highway Patrol (\$194,467).

The Legislative Assembly also requested that the Human Resources Management Services Division of the Office of Management and Budget conduct an equity study of attorney salaries in the Office of the Attorney General.

Finally, funds were provided in the executive recommendation for the teachers at the School for the Deaf, ND Vision Services/School for the Blind, and Youth Correctional Center to maintain their composite salary schedule relative to the salaries of public school teachers in the respective towns where these institutions are located.

**COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVELY AUTHORIZED FTE
AND 2005-07 EXECUTIVE RECOMMENDATION**

Department	Notes	2003-05 Legislatively Authorized FTE	2005-07 Legislatively Authorized FTE	Increase/ Decrease
<u>General Government</u>				
Executive Branch				
101 Office of the Governor		18.00	18.00	0.00
108 Office of the Secretary of State		27.00	27.00	0.00
110 Office of Management and Budget		132.50	131.50	(1.00)
112 Information Technology Department		257.20	265.20	8.00
117 Office of the State Auditor		55.00	55.00	0.00
120 Office of the State Treasurer		6.00	6.00	0.00
125 Office of the Attorney General	1	174.00	185.30	11.30
127 Office of the State Tax Commissioner		137.00	133.00	(4.00)
140 Office of Administrative Hearings		8.00	8.00	0.00
190 Retirement and Investment Office		17.00	17.00	0.00
192 Public Employees Retirement System		29.00	29.00	0.00
<u>Legislative and Judicial Branches</u>				
150 Legislative Assembly		0.00	0.00	0.00
160 Legislative Council		33.00	33.00	0.00
180 Judicial Branch		336.00	332.00	(4.00)
188 Commission on Legal Counsel of Indigents	2	0.00	6.00	6.00
<u>Education</u>				
Elementary, Secondary, and Other Education				
201 Department of Public Instruction		92.75	92.75	0.00
226 State Land Department		17.75	18.75	1.00
250 State Library		28.75	28.75	0.00
252 School for the Deaf		51.85	49.19	(2.66)
253 ND Vision Services/School for the Blind		27.00	26.95	(0.05)
270 Dept. of Career and Technical Education		27.50	27.50	0.00
Higher Education				
215 North Dakota University System Office		20.00	20.00	0.00
227 Bismarck State College		123.30	115.15	(8.15)
228 Lake Region State College		36.85	36.21	(0.64)
229 Williston State College		46.17	44.98	(1.19)
230 University of North Dakota		706.74	623.76	(82.98)
232 UND Medical School		198.91	178.56	(20.35)
235 ND State University		545.02	483.99	(61.03)
238 ND State College of Science		174.95	179.88	4.93

**COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVELY AUTHORIZED FTE
AND 2005-07 EXECUTIVE RECOMMENDATION**

Department	Notes	2003-05 Legislatively Authorized FTE	2005-07 Legislatively Authorized FTE	Increase/ Decrease
239 Dickinson State University		114.81	108.98	(5.83)
240 Mayville State University		69.97	66.80	(3.17)
241 Minot State University		217.49	198.82	(18.67)
242 Valley City State University		92.12	90.57	(1.55)
243 Minot State University - Bottineau		36.08	34.32	(1.76)
244 ND Forest Service		17.97	12.40	(5.57)
<u>Health and Human Services</u>				
301 ND Department of Health		312.50	311.50	(1.00)
313 Veterans Home		89.41	90.97	1.56
316 Indian Affairs Commission		3.00	3.00	0.00
321 Department of Veterans Affairs		5.00	6.00	1.00
324 Children's Services Coordinating Committee		0.80	0.00	(0.80)
325 Department of Human Services	3	2,053.42	2,047.43	(5.99)
360 Protection and Advocacy Project		24.50	25.50	1.00
380 Job Service North Dakota		366.17	355.80	(10.37)
<u>Regulatory</u>				
401 Office of the Insurance Commissioner		45.50	46.50	1.00
405 Industrial Commission		58.37	51.37	(7.00)
406 Office of the Labor Commissioner		10.00	11.00	1.00
408 Public Service Commission		41.00	41.00	0.00
412 Aeronautics Commission		6.00	6.00	0.00
413 Dept of Banking and Financial Institutions		25.00	27.00	2.00
414 Securities Department		8.00	9.00	1.00
471 Bank of North Dakota		178.50	178.50	0.00
473 North Dakota Housing Finance Agency		43.00	43.00	0.00
475 North Dakota Mill and Elevator Association		125.00	127.00	2.00
485 Workforce Safety and Insurance		227.00	223.14	(3.86)
<u>Public Safety</u>				
504 Highway Patrol		192.00	186.00	(6.00)
512 Dept. of Emergency Services		49.00	54.00	5.00
530 Department of Corrections and Rehabilitation		644.18	677.28	33.10
540 Adjutant General		139.00	139.00	0.00

**COMPARISON OF 2003-05 AND 2005-07 LEGISLATIVELY AUTHORIZED FTE
AND 2005-07 EXECUTIVE RECOMMENDATION**

Department	Notes	2003-05 Legislatively Authorized FTE	2005-07 Legislatively Authorized FTE	Increase/ Decrease
<u>Agriculture, Economic Development</u>				
601 Department of Commerce		57.00	62.00	5.00
602 North Dakota Department of Agriculture		57.00	61.00	4.00
616 State Seed Department		32.00	30.00	(2.00)
627 Upper Great Plains Transportation Institute		31.50	48.50	17.00
628 Branch Research Centers		73.65	77.41	3.76
630 NDSU Extension Service		270.57	266.10	(4.47)
638 Northern Crops Institute		8.17	8.62	0.45
640 NDSU Main Research Station		349.19	340.05	(9.14)
649 Agronomy Seed Farm		2.87	2.97	0.10
665 ND State Fair		0.00	0.00	0.00
670 ND Racing Commission	4	2.00	2.00	0.00
<u>Natural Resources</u>				
701 State Historical Society		57.00	57.00	0.00
709 Council on the Arts		5.00	5.00	0.00
720 Game and Fish Department		147.00	152.00	5.00
750 Department of Parks and Recreation		44.25	46.50	2.25
770 State Water Commission		82.00	84.00	2.00
<u>Transportation</u>				
801 Department of Transportation		1,044.50	1,044.50	0.00
TOTAL FTE		10,785.73	10,631.95	(153.78)

NOTES:

- 1 The total includes 11.00 FTE with the Lottery Division. No authorized FTE were reported in 2003-05 because of the Lottery's continuing appropriation status. The total does not include 2.00 FTE from Consumer Protection that are assigned to the AG refund fund continuing appropriation.
- 2 The Commission on Legal Counsel for Indigents is a part of the Supreme Court's budget for the first six months of 2005-07. For purposes of this report, the FTE are considered separate.
- 3 This amount does not include 21.00 FTE at the State Hospital authorized in HB1015 and additional FTE authorized in HB1012 for Medicaid program review of eligibility and payment. FTE authorization in both bills requires Emergency Commission and Budget Section approval.
- 4 The Racing Commission was transferred out of the Attorney General's Office to independent agency status beginning with the 2005-07 biennium.

SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations were recommended and approved for agencies as follows:

112	ITD	\$ 1,070,142
125	Attorney General	110,000
215	University System	617,520
230	UND	371,000
235	NDSU	1,500,000
313	Veterans Home	200,000
512	Emergency Management	7,472,145
512	DEM – Fire Costs	151,369
530	Corrections & Rehab	1,732,168
	Total	\$ 13,224,344

The supplemental appropriation recommended and approved for the Information Technology Department (ITD) was the result of two separate Attorney General opinions that prohibited ITD from raising revenue as anticipated by the 2003 Legislative Assembly to fund general fund operations of the department.

The supplemental appropriation recommended and approved for the Office of the Attorney General covers shortfalls in prosecution witness fees, Crime Lab supplies, and arrest and return of fugitives.

The supplemental appropriation approved for the North Dakota University System relates to consulting assistance to provide training and to extend post-production support of ConnectND.

The supplemental appropriation recommended and approved for the University of North Dakota represents the state share of repairs due to the 1997 flood. The amount recommended and approved for North Dakota State University represents the state share of expenses due to the 2000 flood.

The Veterans Home deficiency was the result of legislatively anticipated revenues that did not materialize.

The Division of Emergency Management borrows from the Bank of North Dakota sufficient funds to pay the state’s share of disaster costs. This supplemental appropriation of \$7,472,145 allowed the division to repay its loan with interest.

The supplemental appropriation of \$151,369 allows payment to the USDA Forest Service for interagency suppression and support costs incurred on state and private lands related to the Magpie Camp, Whitetail, and Deep Creek fires in 2004.

Higher than anticipated male inmate population necessitated the supplemental appropriation for the Department of Corrections and Rehabilitation.

CAPITAL ASSETS

The 2005-07 biennium executive recommendation recognized the importance of the state's investment in capital assets by providing for state investments in new capital assets totaling \$797.4 million. The term "capital assets" refers to capital projects, extraordinary repairs, other capital improvements, equipment over \$5,000, and information technology (IT) equipment over \$5,000. The legislative appropriation for the 2005-07 biennium provides for state expenditures of \$989.1 million for capital assets.

Capital Projects

Capital projects are expenditures for the purchase of land and buildings; the construction of new buildings and additions to existing buildings; and the renovation, restoration, or demolition of buildings and infrastructure. The executive budget recommended \$159.4 million for capital projects, funded primarily from bonding proceeds (\$19.6 million) and special fund sources (\$120.4 million). The legislative budget appropriates \$227.7 million for capital projects funded primarily from bonding proceeds (\$28.5 million), special fund sources (\$148.2 million), and federal funds (\$49.0 million).

The Legislative Assembly approved all of the capital projects recommended by the Governor except for the MRCC multi-purpose building and the Elkhorn Ranch Reserve.

The Legislative Assembly also approved projects in addition to those recommended by the Governor, including the following:

- Williston State College oil well training site - \$1.1 million.

- UND O'Kelly-Ireland Laboratory renovation - \$3.5 million.
- UND College of Nursing Research Facility - \$3.9 million.
- UND Regional Bio-containment Laboratory - \$31.0 million.
- State College of Science football stadium and track renovation - \$1.7 million.
- Minot State University Center for Applied Professional Education - \$3.5 million.
- Minot State University-Bottineau (MiSU-B) Thatcher Hall addition - \$2.5 million.
- MiSU-B Entrepreneurial Center for Horticulture - \$3.5 million.
- Central Grasslands Research Extension Center office addition - \$350,000
- Historical Society Heritage Center archive expansion - \$5.7 million.
- Historical Society Fort Abercrombie Interpretive Center - \$400,000.

Energy Improvement Projects

The 1999 Legislative Assembly enacted North Dakota Century Code Section 54-44.5-08, which established the state energy improvement program. Under this program, the state energy engineer evaluates capital improvements that may result in decreased energy costs. The savings in energy costs is used to fund the cost of the capital improvements. The executive recommendation included funding for qualifying projects at the University of North Dakota for \$2,331,554. The Legislative Assembly approved this recommendation.

Capital Assets Appropriation by Category - 2005-07

No.	Agency Name	Capital Projects	Extraordinary Repairs	Other Capital Improvements	Equipment Over \$5000	IT Equipment Over \$5000	Total
108	Secretary of State	\$0	\$0	\$0	\$15,000	\$0	\$15,000
110	Office of Management and Budget	3,155,000	730,000	74,000	40,000	0	3,999,000
112	Information Technology	60,000	0	5,392,163	0	5,284,000	10,736,163
117	Office of the State Auditor	0	0	0	10,000	0	10,000
125	Office of the Attorney General	3,632,691	0	0	1,786,050	0	5,418,741
127	Office of State Tax Commissioner	0	0	0	0	25,000	25,000
150	Legislative Assembly	0	0	0	6,000	0	6,000
160	Legislative Council	0	0	0	33,000	8,000	41,000
180	Judicial Branch	0	0	0	181,000	12,500	193,500
215	ND University System 1	0	436,923	14,278,141	0	0	14,715,064
226	State Land Department	0	0	0	10,000	0	10,000
227	Bismarck State College	3,745,300	243,481	0	0	0	3,988,781
228	Lake Region State College	343,875	43,662	0	0	0	387,537
229	Williston State College	7,960,000	176,475	0	0	0	8,136,475
230	University of North Dakota	95,500,000	4,632,099	0	0	0	100,132,099
235	North Dakota State University	37,500,000	1,692,226	0	0	0	39,192,226
238	ND State College of Science	2,804,920	753,332	0	0	0	3,558,252
239	Dickinson State University	9,100,557	383,690	0	0	0	9,484,247
240	Mayville State University	1,500,000	358,994	0	0	0	1,858,994
241	Minot State University	8,535,000	676,870	0	0	0	9,211,870
242	Valley City State University 1	250,000	258,416	0	0	0	508,416
243	Minot State University - Bottineau	6,000,000	109,725	0	0	0	6,109,725
244	North Dakota Forest Service	65,000	36,638	0	0	0	101,638
252	School for the Deaf	0	279,495	0	0	0	279,495
253	ND Vision Services	42,380	15,090	0	10,000	0	67,470
301	ND Department of Health	0	107,960	685,309	714,000	7,200	1,514,469
313	Veterans Home	0	77,371	236,535	20,500	9,200	343,606
325	Department of Human Services	110,000	0	1,682,596	80,000	0	1,872,596
380	Job Service North Dakota	0	0	225,000	0	0	225,000
405	Industrial Commission	0	0	0	22,000	23,500	45,500
408	Public Service Commission	0	0	0	23,500	35,011	58,511

Capital Assets Appropriation by Category - 2005-07

No.	Agency Name	Capital Projects	Extraordinary Repairs	Other Capital Improvements	Equipment Over \$5000	IT Equipment Over \$5000	Total
412	Aeronautics Commission	0	134,000	0	0	0	134,000
413	Dept of Financial Inst	0	0	0	0	7,500	7,500
471	Bank of North Dakota	11,000,000	0	0	90,000	182,000	11,272,000
485	Workforce Safety and Insurance	0	0	0	0	26,000	26,000
504	Highway Patrol	0	25,000	0	0	0	25,000
512	Div of Emergency Services	0	0	0	0	5,857,923	5,857,923
530	Dept of Corrections and Rehab	2,019,000	525,000	3,038,586	889,142	25,836	6,497,564
540	Office of Adjutant General	10,215,755	500,000	320,000	50,000	0	11,085,755
601	Dept of Commerce	0	0	0	25,000	0	25,000
602	Department of Agriculture	0	0	0	5,000	0	5,000
616	State Seed Department	0	100,000	0	20,000	0	120,000
627	Upper Great Plains Trans Inst	0	0	0	100,000	181,000	281,000
628	Branch Research Centers	2,040,000	0	0	2,043,500	0	4,083,500
638	Northern Crops Institute	0	0	0	126,500	0	126,500
640	NDSU Main Research Center	7,000,000	740,465	0	2,400,000	0	10,140,465
649	Agronomy Seed Farm	0	0	0	245,000	0	245,000
665	ND State Fair	0	0	210,000	0	0	210,000
701	Historical Society	7,950,000	251,319	0	81,000	0	8,282,319
720	Game and Fish Department	2,170,000	1,216,116	0	485,000	0	3,871,116
750	Parks and Recreation Dept	2,795,000	784,700	0	380,500	0	3,960,200
770	Water Commission	977,100	0	42,699,560	20,000	0	43,696,660
801	Dept of Transportation	1,260,000	3,005,423	623,010,861	29,402,338	189,897	656,868,519
		\$227,731,578	\$18,294,470	\$691,852,751	\$39,314,030	\$11,874,567	\$989,067,396

1 SB 2003 requires that \$150,000 of the NDUS carryover shall be used at Valley City State University to provide an additional \$32,000 in capital projects for the WE Osman bleacher replacement project (total cost \$282,000); \$108,000 in extraordinary repairs for brick tuck-pointing; and in equipment over \$5,000, and an additional \$10,000 for a sound system.

Capital Assets Appropriations by Funding Source - 2005-07

No.	Agency Name	General Fund	Federal Funds	Special Funds	Bond Funds	Total
108	Secretary of State	\$15,000	\$0	\$0	\$0	\$15,000
110	Office of Management and Budget	804,000	0	40,000	3,155,000	3,999,000
112	Information Technology	300,000	0	10,436,163	0	10,736,163
117	Office of the State Auditor	0	0	10,000	0	10,000
125	Office of the Attorney General	193,200	1,579,600	13,250	3,632,691	5,418,741
127	Office of State Tax Commissioner	25,000	0	0	0	25,000
150	Legislative Assembly	6,000	0	0	0	6,000
160	Legislative Council	41,000	0	0	0	41,000
180	Judicial Branch	193,500	0	0	0	193,500
215	ND University System 1	13,435,314	0	1,279,750	0	14,715,064
226	State Land Department	0	0	10,000	0	10,000
227	Bismarck State College	243,481	0	3,745,300	0	3,988,781
228	Lake Region State College	387,537	0	0	0	387,537
229	Williston State College	176,475	2,500,000	5,460,000	0	8,136,475
230	University of North Dakota	2,300,545	0	97,831,554	0	100,132,099
235	North Dakota State University	1,692,226	0	34,000,000	3,500,000	39,192,226
238	ND State College of Science	753,332	0	2,068,920	736,000	3,558,252
239	Dickinson State University	383,690	0	5,000,000	4,100,557	9,484,247
240	Mayville State University	358,994	0	1,500,000	0	1,858,994
241	Minot State University	676,870	0	8,535,000	0	9,211,870
242	Valley City State University 1	508,416	0	0	0	508,416
243	Minot State University-Bottineau	109,725	0	3,500,000	2,500,000	6,109,725
244	North Dakota Forest Service	101,638	0	0	0	101,638
252	School for the Deaf	46,645	0	232,850	0	279,495
253	ND Vision Services	42,380	0	25,090	0	67,470
301	ND Department of Health	340,636	1,023,333	150,500	0	1,514,469
313	Veterans Home	47,920	0	295,686	0	343,606
325	Department of Human Services	1,756,840	114,690	1,066	0	1,872,596
380	Job Service North Dakota	0	225,000	0	0	225,000
405	Industrial Commission	45,500	0	0	0	45,500
408	Public Service Commission	51,011	7,500	0	0	58,511

Capital Assets Appropriations by Funding Source - 2005-07

No.	Agency Name	General Fund	Federal Funds	Special Funds	Bond Funds	Total
412	Aeronautics Commission	0	99,000	35,000	0	134,000
413	Dept of Financial Inst	0	0	7,500	0	7,500
471	Bank of North Dakota	0	0	11,272,000	0	11,272,000
485	Workforce Safety and Insurance	0	0	26,000	0	26,000
504	Highway Patrol	17,680	0	7,320	0	25,000
512	Div of Emergency Services	0	4,957,923	900,000	0	5,857,923
530	Dept of Corrections and Rehab	3,810,564	0	1,123,000	1,564,000	6,497,564
540	Office of Adjutant General	620,000	10,465,755	0	0	11,085,755
601	Dept of Commerce	0	25,000	0	0	25,000
602	Department of Agriculture	0	5,000	0	0	5,000
616	State Seed Department	0	0	120,000	0	120,000
627	Upper Great Plains Trans Inst	0	181,000	100,000	0	281,000
628	Branch Research Centers	257,166	0	3,116,334	710,000	4,083,500
638	Northern Crops Institute	0	0	126,500	0	126,500
640	NDSU Main Research Center	740,465	2,000,000	5,400,000	2,000,000	10,140,465
649	Agronomy Seed Farm	0	0	245,000	0	245,000
665	ND State Fair	210,000	0	0	0	210,000
701	Historical Society	782,319	900,000	300,000	6,300,000	8,282,319
720	Game and Fish Department	0	942,750	2,928,366	0	3,871,116
750	Parks and Recreation Dept	1,467,700	1,762,000	380,500	350,000	3,960,200
770	Water Commission	0	10,020,000	33,676,660	0	43,696,660
801	Dept of Transportation	0	445,225,685	211,642,834	0	656,868,519
		\$32,942,769	\$482,034,236	\$445,542,143	\$28,548,248	\$989,067,396

1 SB 2003 requires that \$150,000 of the NDUS carryover shall be used at Valley City State University to provide an additional \$32,000 in capital projects for the WE Osman bleacher replacement project (total cost \$282,000); \$108,000 in extraordinary repairs for brick tuck-pointing; and in equipment over \$5,000, and an additional \$10,000 for a sound system.

Capital Projects Appropriation - 2005-07

No.	Agency Name	Capital Project	Total	General Fund	Federal Funds	Special Funds	Bonding
110	Office of Mgmt & Budget	Fire Suppression System	\$3,155,000	\$0	\$0	\$0	\$3,155,000
112	Information Technology	DIS - Thordarson Hall	60,000	0	0	60,000	0
125	Office of Attorney General		3,632,691	0	0	0	3,632,691
227	Bismarck State College	Plant Services Building	502,800	0	0	502,800	0
		Student Apartments	3,242,500	0	0	3,242,500	0
228	Lake Region State College	Science Lab Renovation	343,875	343,875	0	0	0
229	Williston State College	Energy & Transport Training Center Addition	910,000	0	0	910,000	0
		Rural Development Center	6,000,000	0	2,500,000	3,500,000	0
		Oil Well Training Site	1,050,000	0	0	1,050,000	0
230	University of ND	O'Kelly-Ireland Lab Renovation	3,500,000	0	0	3,500,000	0
		Dining Center Renov(Wilkerson and or Squires)	2,100,000	0	0	2,100,000	0
		Indoor Track Facility	6,000,000	0	0	6,000,000	0
		Parking Ramp Structure	19,000,000	0	0	19,000,000	0
		SOMHS Allied Health Facility	7,500,000	0	0	7,500,000	0
		SOMHS Laboratory Renovation	2,500,000	0	0	2,500,000	0
		University Housing Replacement	20,000,000	0	0	20,000,000	0
		College of Nursing Research Facility	3,900,000	0	0	3,900,000	0
		Regional Bio-containment Laboratory	31,000,000	0	31,000,000	0	0
235	ND State University	Hazardous Material Handling & Storage	3,500,000	0	0	0	3,500,000
		Memorial Union Renovation and Addition	22,000,000	0	0	22,000,000	0
		Wellness Center Addition	12,000,000	0	0	12,000,000	0
238	ND St College of Science	Blikre Activities Center Addition	368,920	0	0	368,920	0
		Football Stadium and Track Renovation	1,700,000	0	0	1,700,000	0
		Electrical Distribution-Phase II of IV	736,000	0	0	0	736,000
239	Dickinson State University	Murphy Hall Renovation / Addition (Phase II)	4,100,557	0	0	0	4,100,557
		Whitney Stadium Renovation Addition	5,000,000	0	0	5,000,000	0
240	Mayville State University	Fieldhouse Ent, Concession and Restroom Expan	1,000,000	0	0	1,000,000	0
		Outdoor Athletic Complex	500,000	0	0	500,000	0
241	Minot State University	Crane Hall Renovation	5,000,000	0	0	5,000,000	0
		Center for Applied Professional Education	3,535,000	0	0	3,535,000	0
242	Valley City State Univ 1	W.E. Osmon Bleacher Replacement	250,000	250,000	0	0	0
243	Minot State Univ-Bottineau	Thatcher Hall Addition	2,500,000	0	0	0	2,500,000
		Entrepreneurial Center for Horticulture	3,500,000	0	0	3,500,000	0
244	ND Forest Service	Seed Processing Facilities	65,000	65,000	0	0	0
253	ND Vision Services	South Wing Air Conditioning Replacement	42,380	42,380	0	0	0
325	Dept of Human Services	St Hospital Water Tower Repairs and Painting	110,000	110,000	0	0	0
471	Bank of North Dakota	New Building	11,000,000	0	0	11,000,000	0

Capital Projects Appropriation - 2005-07

No.	Agency Name	Capital Project	Total	General Fund	Federal Funds	Special Funds	Bonding
530	Dept of Correct & Rehab	JRCC - ET Building Improvements	980,000	0	0	0	980,000
		JRCC - Programs Building - Code Improvements	584,000	0	0	0	584,000
		RRI - Industry building at MRCC	320,000	0	0	320,000	0
		YCC - Air Exchange System	135,000	0	0	135,000	0
540	Office of Adjutant General	Army Guard Contracts Construction	10,215,755	0	10,215,755	0	0
628	Branch Research Centers	Agronomy Lab and Greenhouse - North Cent	1,690,000	0	0	1,250,000	440,000
		Research Ext Ctr Office Add'n-Cent Grasslands	350,000	0	0	80,000	270,000
640	NDSU Main Research Ctr	Research Greenhouse Complex - Main Station	7,000,000	0	2,000,000	3,000,000	2,000,000
701	Historical Society	Chateau Interpretive Center Planning	1,600,000	0	500,000	300,000	800,000
		Heritage Center Archive Expansion	5,700,000	0	200,000	0	5,500,000
		Fort Abercrombie Interpretive Center	400,000	200,000	200,000	0	0
		Compact Storage - Museum	250,000	250,000	0	0	0
720	Game and Fish Dept	Bismarck Storage Buildings	400,000	0	0	400,000	0
		Fishing Area Projects	870,000	0	600,000	270,000	0
		Land Acquisition	750,000	0	0	750,000	0
		Wildlife Management Area Projects	150,000	0	100,000	50,000	0
750	Parks and Rec Dept	CORPS authority	500,000	0	500,000	0	0
		Coast Guard Authority	250,000	0	250,000	0	0
		FEMA authority	100,000	0	100,000	0	0
		Fort Stevenson Campground rehab	160,000	160,000	0	0	0
		Icelandic State Park campground upgrade	190,000	95,000	95,000	0	0
		Lake Sakakawea Boat Ramp Improvements	250,000	25,000	225,000	0	0
		Lake Sakakawea State Park Campground Utilities	145,000	145,000	0	0	0
		Peace Garden Conflict Resolution Center	250,000	250,000	0	0	0
		Pembina Gorge Trails	250,000	50,000	200,000	0	0
		Turtle River State Park Administrative Office	700,000	0	350,000	0	350,000
770	Water Commission	Construction of a Replacement Shop	977,100	0	0	977,100	0
801	Dept of Transportation	Land & Buildings	1,260,000	0	0	1,260,000	0
			\$227,731,578	\$1,986,255	\$49,035,755	\$148,161,320	\$28,548,248

1 SB 2003 requires that \$150,000 of the NDUS carryover shall be used at Valley City State University to provide an additional \$32,000 in capital projects for the WE Osmon bleacher replacement project (total cost \$282,000); \$108,000 extraordinary repairs for brick tuck-pointing; and in equipment over \$5,000, and an additional \$10,000 for a sound system.

CAPITAL PROJECTS**110 – Office of Management and Budget****Fire Suppression System**

The number one mitigation factor for fighting fires at the Capitol Complex is the installation of a fire suppression system in the Tower. The Life Safety Code (State Building Code), the International Building Code (State Building Code) and the International Fire Code, (State Inspection Code) all require an approved automatic fire suppression system. The project includes \$3,155,000 of general fund supported bonding. No net increase in operating and maintenance expenses is anticipated. This project appears in the Capital Assets line as Extraordinary Repairs.

112 – Information Technology**Division of Independent Study – Thordarson Hall**

This project will upgrade the lighting, ceilings and certain portions of floor coverings. The project includes \$60,000 of special funds. No net increase in operating and maintenance expenses is anticipated.

125 – Office of the Attorney General**Crime Laboratory Renovation and Addition**

This project is phase III of the master plan development at the East Laboratory campus. The project includes remodeling of the existing 5,291 square foot Crime Laboratory and an addition of 14,679 square feet. The project includes \$3,632,691 of general fund bonding. Additional general fund operating and maintenance costs are estimated at \$297,448 per biennium.

227 – Bismarck State College**Plant Services Building**

This 12,000 square foot facility will meet a variety of campus needs including receiving, maintenance department materials and storage, mail room, physical plant personnel offices, security offices and repair area for vehicles and equipment. The project includes \$502,800 of special funds. An increase in operating and maintenance expenses is estimated at \$50,000 per biennium to be paid within the agency's budget.

Student Apartments

This 35,500 square foot complex will provide housing for 125 students in suite apartments. The campus maintains waiting lists for campus housing requests that cannot be filled. The 2003-2005 authority for \$1,800,000 has been combined with the \$1,785,000 recommendation in the 2005-2007 executive budget and an additional \$1,442,500 provided by the Legislative Assembly. The project includes \$5,027,500 of special funds. The project will result in increased operating and maintenance costs of \$826,000 per biennium to be paid within the agency's budget.

228 – Lake Region State College**Science Laboratory Renovation**

The original Lake Region science classrooms are on the Risk Management Audit Reports because of safety and health hazards. Pre-planning for this project was commissioned in 2002. The resulting project will eliminate health and safety hazards and upgrade the spaces to meet educational needs. The project includes \$343,875 of general funds. No net additional operating or maintenance costs are expected as a result of this project.

229 – Williston State CollegeEnergy and Transportation Training Center Addition

This 14,000 square foot addition will provide additional space to increase the capacity of the diesel technology program and provide additional space for pre-hire and upgrade training for oil field employees. The project includes \$910,000 of special funds. An increase in operating and maintenance expenses is estimated at \$15,000 per biennium to be paid within the agency's budget.

Rural Development Center

The \$6.0 million center will serve and assist in the developing the areas of agriculture, energy, entrepreneurship, tourism, workforce training, technology and provide space for meetings, cultural and regional events. The project includes \$2,500,000 of federal funds, \$2,500,000 through grants and foundations and \$1,000,000 of local fund raising. An increase in operating expenses is estimated at \$250,524 per biennium to be paid within the agency's budget.

Oil Well Training Site

This project will develop a five-acre training field including drilling equipment and moveable equipment to train individuals seeking employment in the oil and gas industry. The Legislative Assembly provided spending authority for \$1,050,000 of special funds. No increase in operating and maintenance expenses is anticipated.

230 – University of North DakotaO'Kelly Hall Renovation – Ireland Laboratory Renovation

This project would renovate the existing portion of the building formally housing the medical school laboratories and install upgraded mechanical and electrical systems for the entire building. The project includes \$3,500,000 in special funds. The

project will result in increased operating and maintenance costs of \$145,936 per biennium to be paid within the agency's budget.

Dining Center Renovation

Renovation to this existing dining space will provide improved service delivery, greater variety, and improved quality to the student residents. The executive recommendation included \$1,500,000 of special funds. The Legislative Assembly added additional spending authority of \$600,000, for a total project cost of \$2,100,000. No net additional operating or maintenance costs are expected as a result of this project.

Indoor Track Facility

This project involves demolition of the existing Engelstad Sports Arena and replacing it with a new indoor track facility. The existing arena was constructed and configured for ice hockey. Conversion to indoor track standards is cost prohibitive. The project includes \$6,000,000 of special funds. The project will result in increased operating and maintenance costs of \$107,968 per biennium to be paid within the agency's budget.

Parking Ramp

The University has extended its impervious surface area to the limits of acceptable storm water run off. This new construction project will provide 1000 parking stalls while minimizing the amount of surface area and storm water run off. It is anticipated that some existing surface parking areas may be returned to green space. The executive recommendation included \$12,000,000 of special funds. The Legislative Assembly added additional spending authority of \$7,000,000, for a total project cost of \$19,000,000. The project will result in \$60,000 of special fund operating and maintenance costs per biennium.

School of Medicine and Health Sciences (SOMHS) - Allied Health Facility

This new construction project will combine a number of interrelated departments including Physical Therapy, Occupational Therapy, Athletic Training, Physician Assistant Program, and Clinical Lab Science into one facility designed to accommodate their specific research and education needs. The project includes \$7,500,000 of private/grant funds. The project will result in increased operating and maintenance costs of \$400,000 per biennium to be paid with special funds

SOMHS Laboratory Renovations

Original 1952 construction will be remodeled to provide updated research laboratories, enabling SOMHS to attract additional research grants. Providing appropriate facilities is essential for continued development of the regional research corridor. The project includes \$2,500,000 of special funds. No net additional operating or maintenance costs are expected as a result of this project.

University Housing Replacement

A number of apartment buildings have reached a point where the return on continued maintenance investment is negligible. This project will respond to a market analysis indicating the need for apartments with a greater level of features and convenience. The Executive recommendation included \$16,000,000 of special funds to remove the previously referenced existing units and construct approximately 300 beds. The Legislative Assembly added additional spending authority of \$4,000,000, for a total project cost of \$20,000,000. The project will result in a net increase to operating and maintenance costs of \$100,000 per biennium to be paid with special funds.

College of Nursing Addition

This 28,000 square foot addition to the existing College of Nursing facility will provide office and research space to support expanded research in the Departments of Psychology and Counseling. The project includes \$3,900,000 of special funds. Additional operating and maintenance costs have not been identified.

Regional Biocontainment Laboratory

In conjunction with the National Institute of Health, this 45,000 square foot facility will be used for research and testing of select agents requiring stringent quality control, secure access, and environmental safeguards. The project includes \$31,000,000 of special funds. Additional operating and maintenance costs have not been identified.

235 - North Dakota State University

Hazardous Material Handling and Storage Facility

With the recent expansions to the Research Park and agricultural research areas, the university has exceeded the “medium” category and is now considered a “high” shipper of hazardous materials. This 12,000 square foot facility will provide safe and legal procedures including handling and storing numerous materials required at the university. The project includes \$3,500,000 in general fund supported bonding. The project will result in increased operating and maintenance costs of \$81,600 per biennium to be paid within the agency’s budget.

Memorial Union Renovation and Addition

The project includes renovation of approximately 92,000 square feet of existing space and an addition of approximately 54,000 square feet. The project also includes the upgrade and partial replacement of the existing HVAC system. The project includes \$22,000,000 of special funds. The project will result in

increased operating and maintenance costs of \$367,200 per biennium to be paid with special funds.

Wellness Center Addition

The 2003 student body approved an increase in the health and wellness fee to pay for this 71,000 square foot addition. The existing 36,200 square foot building was finished in 2001. The project includes \$12,000,000 of special funds. The project will result in increased operating and maintenance costs of \$503,200 per biennium to be paid with special funds.

238 - North Dakota State College of Science

Blickre Activities Center Addition

This 3,000 square foot addition will be used to store the new portable floor, provide space for the booster club, and provide a new foyer. The project includes \$368,920 of special funds. No net increase in operating or maintenance is expected.

Football Stadium and Track Renovation

The existing concrete bleachers have become a safety hazard as decaying becomes more prevalent. This project would replace the seating portion of the bleachers, renovate the restroom and snack areas, and replace the existing track. The project includes \$1,700,000 of special funds. No increase in operating or maintenance is expected.

Electrical Distribution – Phase II of IV

This project represents Phase II of a four-phase plan to upgrade and replace the electrical distribution system within the campus. This phase consists of replacing conductors and electrical services for the remaining buildings not completed in Phase I and removing the existing 5KV conductors. The project includes \$736,000 of general fund supported bonding. No net increase in operating or maintenance is expected.

239 – Dickinson State University

Murphy Hall Renovation – Phase II

Phase II involves the complete renovation of the existing 25,366 square foot science building including asbestos abatement and the HVAC system. The recommendation includes \$4,100,557 of general fund supported bonding. The project will not result in increased operating and maintenance costs.

Whitney Stadium Renovation and Addition

This project was approved by the legislature for the 2001-2003 biennium. The project was submitted at \$4,000,000. As the planning was refined, it was apparent that the estimate would need to be raised to \$5,000,000. The re-submittal for the 2003-2005 biennium was approved by the legislature at \$5,000,000. Fund raising continues but will not be completed by the end of the 2003-2005 biennium. The project will result in increased operating and maintenance costs of \$154,027 per biennium to be paid within the agency's budget.

240 - Mayville State University

Fieldhouse Entrance, Concession and Restroom Expansion

This project includes renovating and expanding the current entrance, concessions area and restrooms. A total of 4,000 square feet will be added. The project includes \$1,000,000 of special funds. The project will result in increased operating and maintenance costs of \$4,000 per biennium to be paid within the agency's budget.

Outdoor Athletic Complex

This project will replace an existing facility that contains the ticket booth, concessions, and restrooms at the Al Meyer Sports Complex. The new building will house the ticket booth, concessions area, ADA restrooms, storage, and booster areas.

The project includes \$500,000 of special funds. No net increase in operating or maintenance is expected.

241 – Minot State UniversityCrane Hall Renovation

Crane Hall, a 1960, three-story, 18,354 square foot dormitory will be renovated to provide 100 beds within 25 four-student suites. The executive recommendation included \$3,535,000 of special funds. The Legislative Assembly increased the spending authority by \$1,465,000 for a total project cost of \$5,000,000. No net increase in operating and maintenance is expected.

Center for Applied Professional Education

This project will provide space for expanding academic programs, classrooms, conference areas, seminars, offices, grant-funded programs and other special academic uses. The project includes \$3,535,000 of special funds. Additional operating and maintenance costs have not been identified.

242 – Valley City State UniversityW.E. Osmon Bleacher Replacement

The existing bleachers present a health and safety issue due to failing footboards, railing and bracket deficiencies, and aisles that do not meet code. The bleachers, from the 1970's, have open decks that are no longer allowed. The project includes \$250,000 general fund dollars and \$32,000 from NDUS 2003-05 carryover. No net increase in operating expenses is anticipated.

243 – Minot State University - BottineauThatcher Hall Addition

As the concerns over Old Main increased, an addition to Thatcher Hall became more necessary. This 19,800 addition

would replace the uses still occurring in Old Main with an accessible, flexible and technologically equipped learning environment. The project includes \$2,500,000 of general fund supported bonding. No net increase in operating and maintenance funds is anticipated.

Entrepreneurial Center for Horticulture

This 15,000 square foot facility will provide a vegetable production and demonstration site along with a learning center to create value-added economically feasible business and educational opportunities for agriculture and small business in rural North Dakota. The project includes \$3,500,000 of special funds. Additional operating and maintenance costs have not been identified.

244 - North Dakota Forest ServiceSeed Processing Facilities

This project involves renovations to the tree/supply and pole barn buildings. Improvements would provide space to soak and dry cones, extract seed, clean seed, and store seed. Modifications to the pole barn building would provide space for supplies and equipment. The project includes \$65,000 of general funds. No net increase in operating expenses is anticipated.

253 – School for the BlindSouth Wing Air Conditioning Replacement

This project will replace the existing multiple window units that are removed each winter, with a permanent system on a dedicated electrical circuit. The project includes \$42,380 of general funds. No net increase in operating expenses is anticipated.

325 – Department of Human ServicesState Hospital - Water Tower

The State Hospital water tower is 51 years old and a recent inspection revealed some structural deterioration that will be repaired. The project includes \$110,000 from the general fund. No net increase in operating expenses is anticipated.

471 – Bank of North DakotaNew Building

The existing 4-story portion of the Bank of ND building is a converted 1917 warehouse. An analysis of the building identified environmental hazards (asbestos, lead paint, mold), regulatory issues (fire exits, separations, fire suppression system), and an ADA issue (elevator.) The project includes \$11,000,000 of special funds. The net increase in operating has not been determined.

530 - Department of Corrections and RehabilitationET Building Improvements – James River Correctional Center

This project has three components. Four of the six floors will have 70 year-old windows replaced; standard suspended ceilings will be replaced with security ceilings; and the previous pantry areas will be remodeled to accommodate 20 additional inmates. The project includes \$980,000 of general fund supported bonding. No net increase in operating and maintenance expenses is expected.

Programs Building Code Improvements – James River Correctional Center

In order for DOCR to fully utilize the upper floors of the Programs Building, an ADA accessible elevator and a new, code required, stair tower will be added. Additionally, the corridors and fire alarm system will be upgraded to meet code

requirements. The project includes \$584,000 of general fund supported bonding. No net increase in operating or maintenance expenses is anticipated.

Rough Rider Industries Building – Missouri River Correctional Center

This 6,000 square foot building will consolidate the metal manufacturing that is currently housed in three smaller buildings. This will allow more inmates work opportunities and provide increased security. The project includes \$320,000 of special funds. No net additional operating or maintenance costs are anticipated.

Air Exchange System – Youth Correctional Center

The air exchange system in the welding shop will include the installation of a new venting system for the exhaust fumes in the welding booth area, the brazing tables, metal cutting area, grinding area, and the main shop. The project includes \$135,000 in special funds. No net increase in operating or maintenance is anticipated.

540 – Office of Adjutant GeneralArmy Guard Contracts Construction

This authority request represents the historical expenditures for the Army Guard Contracts line. The spending authority includes \$10,215,755 of federal funding, however the National Guard Bureau has not yet approved funding or specific projects for the 2005-2007 biennium. Any increase in operating and maintenance costs will be paid within the agency's budget.

628 – Branch Research CentersAgronomy Laboratory and Greenhouse – North Central Research Center, Minot

The Extension Center currently uses a 1949 seed elevator to conduct agronomy research. This new 9,600 square foot facility will provide appropriate climate control and meet all required building codes. The project also includes a greenhouse for winter research. The project includes \$440,000 in general fund supported bonding and \$1,250,000 in special funds for a total project cost of \$1,690,000. A net increase in operating and maintenance expenses of \$16,000 per biennium, to be paid with special funds, is anticipated.

Headquarters Office Building Addition-Central Grasslands Research Center

This 3,000 square foot addition will provide additional office space, laboratory space, conferencing space restrooms, and address ADA issues. The project includes \$270,000 of general fund supported bonding and \$80,000 of special funds for a project total cost of \$350,000. Additional operating and maintenance costs of \$3,000 per biennium are anticipated.

640 – NDSU Main Research CenterResearch Greenhouse Complex

This project is for new construction plus renovation of selected existing greenhouses. The renovation and replacement will allow for expanded research opportunities. The project includes \$2,000,000 in general fund supported bonding, \$2,000,000 in federal funding, and \$3,000,000 in special funds for a total project cost of \$7,000,000. An increase in operating and maintenance expenses is estimated at \$50,000 per biennium to be paid within the agency's budget.

701 - State Historical SocietyChateau Renovation and Addition

This project includes minor remodeling of the existing 2,700 square foot Visitor Center and a 5,000 square foot addition. The majority of the addition will be interpretive area, with the existing building used for support spaces. The project includes \$800,000 in general fund supported bonding, \$500,000 in federal funds, and \$300,000 in special funds for a total project cost of \$1,600,000. An additional \$30,000 in operating and maintenance is anticipated, paid within the agency's budget.

Heritage Center Archive Storage Expansion

This project provides approximately 30,000 square feet of additional archive storage and support spaces. It is anticipated that the addition will provide 20 years of adequate archives storage. The project includes \$5,500,000 in general fund supported bonding and \$200,000 in federal funds for a project total of \$5,700,000. Additional operating and maintenance expenses have not been determined.

Fort Abercrombie Visitor Center

Continued development at this historic site includes plans for a new Visitor Center. This appropriation will enable the Historical Society to begin the procedure with \$200,000 from the general fund and \$200,000 in federal funds, for a total project cost of \$400,000. Additional operating and maintenance costs have not been determined.

Heritage Center Compact Storage

To maximize the archive storage in the Heritage Center, compact storage units were installed in half of the archive storage area last biennium. This appropriation would provide compact storage units for the artifact collection. The recommendation includes \$250,000 from the general fund. No

additional operating and maintenance expenses are anticipated.

720 - Game and Fish Department

Bismarck Storage Buildings

This project includes two new storage buildings adjacent to the new agency shop building and is the next phase in replacing the current facilities on Lovett Avenue. The appropriation is for \$400,000 of special funds. No net additional operating and maintenance expenses are anticipated.

Fishing Area Projects

These funds will be used for miscellaneous projects including dam repair, boat ramps, parking lots, and fishing piers. The project includes \$270,000 in special funds and \$600,000 in federal funds for a total of \$870,000. No additional operating and maintenance expenses are anticipated.

Land Acquisition

These funds will be used to acquire and/or enlarge department wildlife management areas. There has been demand from the public for additional hunting access. The Governor and the Budget Section must approve the specific purchases. The appropriation includes \$750,000 in special funds. An additional \$10,000 in operating and maintenance expenses is anticipated, to be paid with special funds.

Wildlife Management Area Projects

These funds will be used for miscellaneous projects including roads, fences, water control structures, and parking lots to be built on Department wildlife management areas. The appropriation includes \$50,000 in special funds and \$100,000 in federal funds for a total of \$150,000. No additional operating and maintenance expenses are anticipated.

750 - Department of Parks and Recreation

CORPS Authority

This \$500,000 federal fund appropriation provides spending authority for potential boat ramp capital projects. No increase in operating or maintenance is anticipated.

Coast Guard Authority

This appropriation provides spending authority for potential projects related to a floating breakwater at Fort Stevenson State Park. The appropriation is for \$250,000 of federal funds. No increase in operating or maintenance is anticipated.

FEMA Authority

This appropriation provides spending authority for potential FEMA related capital projects. The appropriation is for \$100,000 of federal funds. No increase in operating or maintenance is anticipated.

Campground Rehabilitation – Fort Stevenson State Park

This project will develop 25 semi-private campsites in the park. Included in the request are pull-through RV pads, electrical and water services, vault toilets, and completion of the loop road. The project includes \$160,000 of general funds. The amount of additional operating and maintenance costs is unknown at this time and will be paid within the agency's budget.

Campground Upgrade – Icelandic State Park

This project will replace 30 year-old electrical service and water service to 60 campsites within two separate loops. The \$190,000 project includes \$95,000 from the general fund and \$95,000 of federal funds. No increase in operating and maintenance is anticipated.

Boat Ramp Improvements – Lake Sakakawea State Park

Due to the unexpectedly low water levels on Lake Sakakawea, this project was advanced on the agency's priority list. Repairs to the east side picnic area ramp that are ordinarily under water can be made now for less cost than after water levels go back up. The project includes \$25,000 from the general fund and \$225,000 of federal funds for a total project cost of \$250,000. No increase in operating and maintenance is anticipated.

Campground Utilities Upgrade – Lake Sakakawea State Park

This project will replace the 37 year-old electrical service and the 30 year-old potable water service in the Van Hook campground. A total of 52 campsites will be upgraded. The project includes \$145,000 from the general fund. No net additional operating and maintenance costs are anticipated.

Peace Garden Conflict Resolution Center

Canadian funding has been committed for planning and professional services for an International Center for Peace and Conflict Resolution at the International Peace Garden. These funds represent North Dakota's commitment and contribution to the proposal development. The project includes \$250,000 from the general fund. The amount of additional operating and maintenance costs is unknown at this time.

Pembina Gorge Trails

The 2004 ND Tourism Development Plan identified the need for trails planning and trails development in the Pembina Gorge region. This project will identify specific trail corridors and obtain trail leases. The project includes \$50,000 from the general fund and \$200,000 of federal funds for a total project cost of \$250,000. No increase in operating and maintenance is anticipated.

Turtle River Administration Office

This project will replace the existing administrative offices at the park. The existing 1948 building is of marginal quality and is in the Turtle River flood plain. It was determined that renovating the existing building would not be economically feasible. The project includes \$350,000 in general fund supported bonding and \$350,000 of federal funds for a total project cost of \$700,000. An additional \$50,000 in operating and maintenance is anticipated, paid within the agency's budget.

770 – State Water CommissionConstruction of a Replacement Shop

Site development for the new Water Commission Shop has been completed. However, the building will not be completed by the end of the 2003-2005 biennium. This appropriation provides for spending authority for the 2005-2007 biennium. The appropriation includes \$977,100 in special funds. No net increase in operating or maintenance funds is anticipated.

801 – Department of TransportationLand and District Section Buildings

Section buildings too small for snow removal equipment and poorly insulated, resulting in high heating costs, will be replaced at certain locations. This project also includes purchase of land for an additional section building location. The appropriation includes \$1,260,000 of special funds. No net additional increase in operating and maintenance is anticipated.

Extraordinary Repairs Appropriation - 2005-07

No.	Agency Name	Building Formula	Infrastructure Formula	Total Formula	Extraordinary Repairs Appropriation	% of Formula Appropriated
110	Office of Management and Budget	\$ 4,707,978	\$ 623,500	\$ 5,331,478	\$ 730,000	14%
112	Information Technology Department	43,571	0	43,571	0	0%
215	ND University System	0	0	0	436,923	0%
227	Bismarck State College	1,292,292	491,038	1,783,330	243,481	14%
228	Lake Region State College	537,070	171,725	708,795	43,662	6%
229	Williston State College	653,071	375,707	1,028,778	176,475	17%
230	University of North Dakota	13,126,059	6,067,433	19,193,492	4,632,099	24%
235	North Dakota State University	8,537,127	3,895,524	12,432,651	1,692,226	14%
238	ND State College of Science	2,845,387	1,512,409	4,357,796	753,332	17%
239	Dickinson State University	1,549,447	316,987	1,866,434	383,690	21%
240	Mayville State University	794,516	376,528	1,171,044	358,994	31%
241	Minot State University	2,486,104	906,438	3,392,542	676,870	20%
242	Vallley City State University	1,174,009	386,958	1,560,967	258,416	17%
243	Minot State University - Bottineau	389,797	143,518	533,315	109,725	21%
244	North Dakota Forest Service	48,130	246,745	294,875	36,638	12%
252	School for the Deaf	383,670	147,339	531,009	279,495	53%
253	ND Vision Services	164,446	0	164,446	15,090	9%
301	ND Department of Health	226,995	0	226,995	107,960	48%
313	Veterans Home	388,112	0	388,112	77,371	20%
325	Department of Human Services	3,942,737	1,873,935	5,816,672	0	0%
380	Job Service North Dakota	569,365	47,556	616,921	0	0%
412	Aeronautics Commission	0	82,309	82,309	134,000	163%
471	Bank of North Dakota	244,264	28,146	272,410	0	0%
504	Highway Patrol	94,836	0	94,836	25,000	26%
530	Dept of Corrections and Rehab	3,401,066	819,040	4,220,106	525,000	12%
540	Office of the Adjutant General	3,581,268	4,325,907	7,907,175	500,000	6%
616	State Seed Department	98,533	0	98,533	100,000	101%
628	Branch Research Centers	365,798	726,664	1,092,462	0	0%
640	NDSU Main Research Center	222,474	245,855	468,329	740,465	158%
649	Agronomy Seed Farm	54,520	45,746	100,266	0	0%
701	Historical Society	152,884	852,392	1,005,276	251,319	25%
720	Game and Fish Department	416,116	0	416,116	1,216,116	292%
750	Parks and Recreation Dept	530,476	1,843,991	2,374,467	784,700	33%
770	State Water Commission	24,630	23,186	47,816	0	0%
801	Dept of Transportation	1,959,028	851,181	2,810,209	3,005,423	107%
TOTALS		\$ 55,005,776	\$ 27,427,757	\$ 82,433,533	\$ 18,294,470	22%

Other Capital Improvements Appropriation - 2005-07

No.	Agency Name	Total	General Fund	Federal Funds	Special Funds	Bond Proceeds	Project Description
110	Office of Mgmt & Budget	\$74,000	\$74,000	\$0	\$0	0	Special Assessment
112	Information Technology	5,392,163	0	0	5,392,163	0	ConnectND Bond Payments
215	ND University System	14,278,141	12,998,391	0	1,279,750	0	Capital Bond Payments
301	ND Department of Health	685,309	340,636	344,673	0	0	Bond Payment for Laboratory Addition
313	Veterans Home	236,535	0	0	236,535	0	Bond & Interest Payments
325	Dept of Human Services	571,731	491,078	79,655	998	0	Bond Payment
325	Dept of Human Services	1,110,865	1,110,865	0	0	0	Bond Payments
380	Job Service North Dakota	205,000	0	205,000	0	0	Bismarck Customer Service Office Bond Payments
380	Job Service North Dakota	20,000	0	20,000	0	0	Special Assessments
530	Dept of Correct & Rehab	3,038,586	3,038,586	0	0	0	Debt Service Payments
540	Adjutant General	60,000	60,000	0	0	0	Grand Forks Armory Bond Payment
540	Adjutant General	34,000	34,000	0	0	0	Payment in lieu of taxes
540	Adjutant General	226,000	226,000	0	0	0	Special assessments
665	ND State Fair	210,000	210,000	0	0	0	Bond Payments
770	Water Commission	42,699,560	0	10,000,000	32,699,560	0	Bond Pmts, NAWS/SWPP Bond Projects
801	Dept of Transportation 1	623,010,861	0	444,752,452	178,258,409	0	Contractor Payments
		<u>\$691,852,751</u>	<u>\$18,583,556</u>	<u>\$455,401,780</u>	<u>\$217,867,415</u>	<u>\$0</u>	

1 The emergency relief funding added to DOT also included \$5,331,450 for consultants and \$1,188,000 million for grants.