

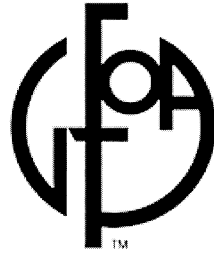
STATE OF NORTH DAKOTA



John Hoeven, *Governor*
Pam Sharp, *OMB Director*
Sheila Peterson, *Fiscal Management Director*

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Legislative Appropriations 2007-2009 Biennium



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of North Dakota

For the Biennium Beginning

July 1, 2005

President

Executive Director

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EXECUTIVE SUMMARY

Governor Hoeven

Governor John Hoeven's budget recommendation for the 2007-2009 biennium centered around funding budget priorities, investing in one-time capital needs, providing tax relief, and building reserves. The budget recommendation included leaving over \$400 million in reserves, on-going spending that was less than on-going revenues, one-time capital investments of \$187.0 million, and \$116.7 million for property tax relief. The Governor's budget recommendation included no tax increases, no fee increases and no borrowing or bonding. 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 have seen substantial growth in sales, individual income, and corporate income tax revenues resulting in a higher than projected balance in the general fund. In addition, substantial growth in oil tax revenues resulted in a higher than projected balance in the permanent oil tax trust fund. Reserves in the budget stabilization fund are on course to double from 5% to 10% of the general fund expenditures.

Major initiatives included in Governor Hoeven's budget recommendation were:

- the complete rewrite of the school aid formula based on the recommendations of the Governor's Commission on Education Improvement;
- full funding of equity and parity as requested by the Board of Higher Education;
- a doubling of the budget for the North Dakota Trade Office;
- strong support for agricultural research and energy development;
- a major expansion of the State Penitentiary facility and sexual offender treatment programs;
- a state employee compensation plan including equity funding;
- enhancements to programs benefiting members of the National Guard and veterans.

In total, the general fund budget recommendation was \$2.468 billion and the entire budget recommendation, including federal and special funds, was \$6.333 billion. The 2007 Legislative Assembly increased the Governor's total budget by \$144 million or 2.3 percent.

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

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2005-2007 AND 2007-2009 LEGISLATIVE APPROPRIATIONS AND 2007-2009 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2005-2007 Legislative Appropriation</u>		<u>2007-2009 Executive Recommendation</u>		<u>2007-2009 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	\$ 2,598,137	\$ 5,158,137	\$ 2,996,516	\$ 5,496,516	\$ 3,102,822	\$ 3,202,822
108 Office of the Secretary of State	4,489,363	14,433,391	5,313,616	11,267,589	5,364,692	14,238,557
110 Office of Management and Budget	20,156,011	66,811,330	50,074,077	68,974,437	73,348,944	113,578,059
112 Information Technology Department	9,972,837	108,907,227	11,268,434	124,864,163	11,659,411	124,666,181
117 Office of the State Auditor	5,126,005	7,561,146	5,545,807	8,133,914	5,656,016	8,241,790
120 Office of the State Treasurer	2,344,547	2,344,547	3,038,508	3,038,508	3,093,470	3,093,470
125 Office of the Attorney General	19,212,156	43,700,557	22,929,209	41,223,732	24,432,081	45,334,002
127 Office of the State Tax Commissioner	22,485,152	36,605,152	28,948,998	30,648,998	32,538,153	35,338,153
140 Office of Administrative Hearings	0	1,309,844	0	1,694,091	0	1,642,863
188 Comm on Legal Counsel for Indigents	8,838,368	10,058,368	9,512,811	11,213,516	9,509,991	11,210,696
190 Retirement and Investment Office	0	2,975,028	0	3,350,304	0	3,352,908
192 Public Employees Retirement System	19,000	4,719,237	0	14,549,864	0	15,243,302
Total Executive Branch	\$ 95,241,576	\$ 304,583,964	\$ 139,627,976	\$ 324,455,632	\$ 168,705,580	\$ 379,142,803
Legislative and Judicial Branches						
150 Legislative Assembly	\$ 9,492,225	\$ 9,512,225	\$ 13,918,501	\$ 13,918,501	\$ 14,177,129	\$ 14,177,129
160 Legislative Council	7,788,941	7,788,941	8,298,218	8,298,218	8,748,442	8,818,442
180 Judicial Branch	56,329,994	57,839,972	67,267,338	69,468,372	66,935,878	69,135,518
Total Legislative and Judicial Branches	\$ 73,611,160	\$ 75,141,138	\$ 89,484,057	\$ 91,685,091	\$ 89,861,449	\$ 92,131,089
Total General Government	\$ 168,852,736	\$ 379,725,102	\$ 229,112,033	\$ 416,140,723	\$ 258,567,029	\$ 471,273,892
Education						
Elementary, Secondary, and Other Education						
201 Department of Public Instruction	\$ 636,443,587	\$ 932,343,222	\$ 711,585,726	\$ 1,037,666,173	\$ 710,423,275	\$ 1,036,091,513
226 Land Department	0	7,826,022	0	9,126,688	0	9,124,124
250 State Library	3,507,082	5,166,354	3,979,712	5,861,312	3,977,513	5,858,766
252 School for the Deaf	5,365,097	6,692,362	5,841,502	6,805,664	5,390,438	6,429,456
253 ND Vision Services/School for the Blind	2,524,609	3,371,056	2,792,756	3,636,873	2,917,936	3,761,793
270 Dept. of Career & Technical Education	16,840,786	28,131,983	19,285,093	30,320,808	21,804,036	32,839,668
Total Elementary, Secondary, and Other Educ.	\$ 664,681,161	\$ 983,530,999	\$ 743,484,789	\$ 1,093,417,518	\$ 744,513,198	\$ 1,094,105,320
Higher Education						
215 North Dakota University System Office	\$ 57,729,611	\$ 60,329,387	\$ 70,910,723	\$ 73,348,533	\$ 68,601,118	\$ 74,718,648
227 Bismarck State College	17,109,029	20,854,329	20,771,525	20,799,330	20,695,572	26,429,622
228 Lake Region State College	5,777,526	5,777,526	6,653,271	9,660,871	6,636,952	9,644,552
229 Williston State College	5,929,472	13,889,472	6,596,300	7,996,300	6,579,702	8,879,702
230 University of North Dakota	94,852,147	192,683,701	115,408,905	193,608,905	115,120,705	193,040,705
232 UND Medical Center	31,361,002	31,361,002	33,874,938	33,874,938	34,488,501	34,488,501

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2005-2007 AND 2007-2009 LEGISLATIVE APPROPRIATIONS AND 2007-2009 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2005-2007 Legislative Appropriation</u>		<u>2007-2009 Executive Recommendation</u>		<u>2007-2009 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>
235 North Dakota State University	77,496,876	114,996,876	99,027,336	119,527,336	98,302,791	144,802,791
238 ND State College of Science	25,740,160	28,545,080	30,416,758	38,830,758	29,126,813	39,211,233
239 Dickinson State University	15,095,317	24,195,874	17,917,119	25,917,119	18,024,873	26,024,873
240 Mayville State University	9,362,624	10,862,624	10,836,719	11,736,719	11,205,028	12,105,028
241 Minot State University	27,892,719	36,427,719	34,123,292	39,698,842	38,267,401	39,674,016
242 Valley City State University	12,314,942	12,314,942	15,979,831	15,979,831	14,146,372	16,346,372
243 Minot State University - Bottineau	4,444,185	10,444,185	5,169,274	5,182,179	4,918,250	5,170,250
244 North Dakota Forest Service	2,052,283	3,027,284	2,541,449	3,538,935	2,535,546	3,533,032
Total Higher Education	\$ 387,157,893	\$ 565,710,001	\$ 470,227,440	\$ 599,700,596	\$ 468,649,624	\$ 634,069,325
Total Education	\$ 1,051,839,054	\$ 1,549,241,000	\$ 1,213,712,229	\$ 1,693,118,114	\$ 1,213,162,822	\$ 1,728,174,645

Health and Human Services

301 ND Department of Health	\$ 13,468,904	\$ 125,739,124	\$ 18,054,828	\$ 154,995,011	\$ 21,517,033	\$ 172,112,310
313 Veterans Home	4,329,092	11,303,925	4,050,174	12,871,264	4,125,266	34,039,818
316 Indian Affairs Commission	387,297	407,297	566,754	571,754	566,258	571,258
321 Department of Veterans Affairs	653,668	653,668	776,382	776,382	866,772	866,772
325 Department of Human Services	484,421,474	1,680,062,307	582,160,899	1,848,471,001	591,962,788	1,882,047,418
360 Protection and Advocacy Project	812,093	3,720,979	913,910	4,056,688	913,287	4,053,516
380 Job Service North Dakota	1,501,012	59,771,271	1,536,967	63,129,058	1,746,960	63,411,131
Total Health and Human Services	\$ 505,573,540	\$ 1,881,658,571	\$ 608,059,914	\$ 2,084,871,158	\$ 621,698,364	\$ 2,157,102,223

Regulatory

401 Office of the Insurance Commissioner	\$ 0	\$ 13,679,655	\$ 0	\$ 14,350,979	\$ 0	\$ 14,455,124
405 Industrial Commission	6,878,658	50,781,796	8,762,790	58,870,922	11,756,004	81,148,350
406 Office of the Labor Commissioner	961,239	1,460,204	1,150,143	1,551,841	1,149,250	1,550,591
408 Public Service Commission	4,362,837	11,299,988	4,903,183	12,908,565	4,873,459	12,876,768
412 Aeronautics Commission	550,187	5,790,305	550,000	7,072,844	550,000	7,072,036
413 Dept. of Financial Institutions	0	4,445,503	0	5,181,860	0	5,177,422
414 Securities Department	1,459,244	1,676,443	1,562,802	1,780,001	1,623,355	1,840,554
471 Bank of North Dakota	6,900,000	51,475,075	10,100,000	48,242,359	13,600,000	51,721,867
473 North Dakota Housing Finance Agency	0	33,910,014	0	41,534,102	0	41,529,290
475 North Dakota Mill and Elevator	0	32,841,404	0	36,780,837	0	36,765,609
485 Workforce Safety and Insurance	0	33,523,001	0	50,020,989	0	53,241,155
Total Regulatory	\$ 21,112,165	\$ 240,883,388	\$ 27,028,918	\$ 278,295,299	\$ 33,552,068	\$ 307,378,766

Public Safety

504 Highway Patrol	\$ 20,080,862	\$ 34,819,608	\$ 23,831,113	\$ 39,496,128	\$ 27,895,323	\$ 39,107,528
512 Department of Emergency Services	5,115,672	62,985,952	0	0	0	0
530 Department of Corrections & Rehab	101,135,684	128,900,831	172,696,199	199,549,688	130,606,873	154,657,825
540 Adjutant General	16,445,229	47,879,027	21,711,846	143,406,238	21,802,813	143,478,486
Total Public Safety	\$ 142,777,447	\$ 274,585,418	\$ 218,239,158	\$ 382,452,054	\$ 180,305,009	\$ 337,243,839

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2005-2007 AND 2007-2009 LEGISLATIVE APPROPRIATIONS AND 2007-2009 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2005-2007 Legislative Appropriation</u>		<u>2007-2009 Executive Recommendation</u>		<u>2007-2009 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>						
<u>Agriculture and Economic Development</u>						
601 Dept of Commerce	\$ 19,180,781	\$ 76,615,064	\$ 26,169,736	\$ 81,531,029	\$ 26,581,965	\$ 82,340,481
602 North Dakota Department of Agriculture	4,523,112	14,009,644	5,430,717	16,309,662	5,789,660	17,177,986
616 State Seed Department	0	5,933,391	0	6,169,502	0	6,166,218
665 North Dakota State Fair	615,000	615,000	5,627,150	10,627,150	1,167,150	1,167,150
670 Racing Commission	117,479	367,145	120,640	407,564	120,592	407,290
Total Agriculture and Economic Development	\$ 24,436,372	\$ 97,540,244	\$ 37,348,243	\$ 115,044,907	\$ 33,659,367	\$ 107,259,125
<u>Extension and Research</u>						
627 Upper Great Plains Transportation Institute	\$ 1,162,904	\$ 16,452,937	\$ 1,223,884	\$ 27,479,547	\$ 1,209,840	\$ 27,571,521
628 Branch Research Centers	8,386,309	21,505,676	10,658,084	24,374,515	11,301,508	25,017,019
630 NDSU Extension Service	15,358,146	38,379,737	17,456,831	41,322,455	18,402,113	42,265,835
638 Northern Crops Institute	910,761	1,902,683	1,118,392	2,598,111	1,143,312	2,622,969
640 NDSU Main Research Center	30,794,067	75,456,713	45,437,622	86,698,779	44,235,584	87,336,348
649 Agronomy Seed Farm	0	1,201,008	0	1,230,346	0	1,230,162
Total Extension and Research	\$ 56,612,187	\$ 154,898,754	\$ 75,894,813	\$ 183,703,753	\$ 76,292,357	\$ 186,043,854
Total Ag, Econ Dev, Ext & Research	\$ 81,048,559	\$ 252,438,998	\$ 113,243,056	\$ 298,748,660	\$ 109,951,724	\$ 293,302,979
<u>Natural Resources</u>						
701 State Historical Society	\$ 8,094,058	\$ 18,021,223	\$ 9,905,801	\$ 13,025,263	\$ 10,232,603	\$ 15,551,369
709 Council on the Arts	999,691	2,268,009	1,196,307	2,484,625	1,165,799	2,454,117
720 Game and Fish Department	0	51,201,059	0	54,891,111	0	57,841,039
750 Department of Parks and Recreation	8,144,153	21,571,736	14,141,417	27,269,806	14,461,291	28,009,408
770 State Water Commission	1,011,220	126,070,938	13,687,506	174,610,555	13,877,247	175,999,263
Total Natural Resources	\$ 18,249,122	\$ 219,132,965	\$ 38,931,031	\$ 272,281,360	\$ 39,736,940	\$ 279,855,196
<u>Transportation</u>						
801 Department of Transportation	\$ 0	\$ 955,008,348	\$ 20,000,000	\$ 907,295,066	\$ 0	\$ 903,157,500
Total Transportation	\$ 0	\$ 955,008,348	\$ 20,000,000	\$ 907,295,066	\$ 0	\$ 903,157,500
TOTAL ALL BUDGETS	\$ 1,989,452,623	\$ 5,752,673,790	\$ 2,468,326,339	\$ 6,333,202,434	\$ 2,456,973,956	\$ 6,477,489,040

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007 Legislatively Authorized FTE	2007-2009 Executive Recommendation	2007-2009 Legislatively Authorized FTE	Change from 2005-2007 to 2007-2009
<u>General Government</u>					
<i>Executive Branch</i>					
101	Office of the Governor	18.00	18.00	18.00	0.00
108	Office of the Secretary of State	27.00	27.00	27.00	0.00
110	Office of Management and Budget	131.50	132.50	132.50	1.00
112	Information Technology Department	265.20	312.20	306.20	41.00
117	Office of the State Auditor	55.00	54.80	54.80	(0.20)
120	Office of the State Treasurer	6.00	6.00	7.00	1.00
125	Office of the Attorney General	185.30	181.30	188.50	3.20
127	Office of the State Tax Commissioner	133.00	133.00	133.00	0.00
140	Office of Administrative Hearings	8.00	8.00	8.00	0.00
188	Commission on Legal Counsel of Indigents	19.00	29.00	29.00	10.00
190	Retirement and Investment Office	17.00	17.00	17.00	0.00
192	Public Employees Retirement System	29.00	33.00	33.00	4.00
<i>Legislative and Judicial Branches</i>					
150	Legislative Assembly	0.00	0.00	0.00	0.00
160	Legislative Council	33.00	33.00	33.00	0.00
180	Judicial Branch	332.00	343.00	338.00	6.00
<u>Education</u>					
<i>Elementary, Secondary, and Other Education</i>					
201	Department of Public Instruction	92.75	98.25	94.75	2.00
226	State Land Department	18.75	18.75	18.75	0.00
250	State Library	28.75	29.75	29.75	1.00
252	School for the Deaf	49.19	48.44	43.94	(5.25)
253	ND Vision Services/School for the Blind	26.95	27.00	28.00	1.05
270	Dept. of Career and Technical Education	27.50	27.50	27.50	0.00
<i>Higher Education</i>					
215	North Dakota University System Office	20.00	21.00	20.00	0.00
227	Bismarck State College	115.15	105.38	105.38	(9.77)
228	Lake Region State College	36.21	30.49	30.49	(5.72)
229	Williston State College	44.98	38.80	39.80	(5.18)
230	University of North Dakota	623.76	637.24	637.24	13.48
232	UND Medical School	178.56	155.74	157.74	(20.82)

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007 Legislatively Authorized FTE	2007-2009 Executive Recommendation	2007-2009 Legislatively Authorized FTE	Change from 2005-2007 to 2007-2009
235 ND State University		483.99	498.12	498.12	14.13
238 ND State College of Science		179.88	156.77	156.77	(23.11)
239 Dickinson State University		108.98	121.60	121.60	12.62
240 Mayville State University		66.80	55.89	55.89	(10.91)
241 Minot State University		198.82	184.83	184.83	(13.99)
242 Valley City State University		90.57	78.15	78.15	(12.42)
243 Minot State University - Bottineau		34.32	31.11	31.11	(3.21)
244 ND Forest Service		12.40	19.47	19.47	7.07
<u>Health and Human Services</u>					
301 ND Department of Health	1	319.50	331.50	331.50	12.00
313 Veterans Home		90.97	90.97	92.37	1.40
316 Indian Affairs Commission		3.00	4.00	4.00	1.00
321 Department of Veterans Affairs		6.00	6.00	7.00	1.00
325 Department of Human Services	1, 2	2,039.43	2,085.68	2,210.78	171.35
360 Protection and Advocacy Project		25.50	27.50	27.50	2.00
380 Job Service North Dakota		355.80	308.00	308.00	(47.80)
<u>Regulatory</u>					
401 Office of the Insurance Commissioner		46.50	46.50	46.50	0.00
405 Industrial Commission	3	51.37	55.37	57.37	6.00
406 Office of the Labor Commissioner		11.00	11.00	11.00	0.00
408 Public Service Commission		41.00	42.00	41.00	0.00
412 Aeronautics Commission		6.00	6.00	6.00	0.00
413 Dept of Banking and Financial Institutions		27.00	27.00	27.00	0.00
414 Securities Department		9.00	9.00	9.00	0.00
471 Bank of North Dakota		178.50	176.50	176.50	(2.00)
473 North Dakota Housing Finance Agency		43.00	43.00	43.00	0.00
475 North Dakota Mill and Elevator Association		127.00	131.00	131.00	4.00
485 Workforce Safety and Insurance		223.14	223.14	237.14	14.00
<u>Public Safety</u>					
504 Highway Patrol		186.00	197.00	193.00	7.00
512 Department of Emergency Services		49.00	0.00	0.00	(49.00)
530 Department of Corrections and Rehabilitation		677.28	706.79	711.29	34.01
540 Office of the Adjutant General		144.00	232.00	232.00	88.00

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007 Legislatively Authorized FTE	2007-2009 Executive Recommendation	2007-2009 Legislatively Authorized FTE	Change from 2005-2007 to 2007-2009
<u>Agriculture, Economic Development</u>					
601 Department of Commerce		62.00	73.00	66.00	4.00
602 North Dakota Department of Agriculture		61.00	67.00	67.50	6.50
616 State Seed Department		30.00	30.00	30.00	0.00
627 Upper Great Plains Transportation Institute		48.50	43.40	43.40	(5.10)
628 Branch Research Centers		87.26	95.26	97.86	10.60
630 NDSU Extension Service		256.86	257.86	260.46	3.60
638 Northern Crops Institute		10.20	11.20	11.20	1.00
640 NDSU Main Research Station		345.08	348.08	348.88	3.80
649 Agronomy Seed Farm		3.00	3.00	3.00	0.00
665 ND State Fair		0.00	0.00	0.00	0.00
670 ND Racing Commission		2.00	2.00	2.00	0.00
<u>Natural Resources</u>					
701 State Historical Society		57.00	60.00	60.00	3.00
709 Council on the Arts		5.00	5.00	5.00	0.00
720 Game and Fish Department		152.00	155.00	155.00	3.00
750 Department of Parks and Recreation		46.50	50.50	50.50	4.00
770 State Water Commission		84.00	84.00	84.00	0.00
<u>Transportation</u>					
801 Department of Transportation		1,044.50	1,052.50	1,052.50	8.00
TOTAL FTE		10,652.20	10,809.83	10,944.53	292.33

NOTES:

- 1 The Children's Special Health Services program was transferred from the Department of Human Services to the Health Department.
- 2 Includes 122.6 FTE relating to the transfer from county child support enforcement units, authorized in SB 2205. However, the actual number of FTE may vary depending upon the number of persons employed by the counties on July 1, 2007.
- 3 The 2007-09 legislatively authorized FTE includes 2.00 FTE approved on a contingent basis for the Industrial Commission. Budget Section approval is required prior to filling the positions.

EMPLOYEE COMPENSATION

The recommended and approved compensation package includes funds for a 4 percent average salary increase with a minimum increase of \$75 per month effective July 1, 2007 and another 4 percent average salary increase with a minimum increase of \$75 per month effective July 1, 2008. Salary increases must be based on merit and equity and are not to be given across the board. Employees whose documented performance levels do not meet standards are not eligible for any salary increase.

The compensation package recommended by the Governor and approved by the legislature continues full health insurance coverage for state employees and their families. The total cost for health insurance is \$658.08 per month per employee. This is an increase of \$104.14, or 18.8 percent, over last biennium.

The Governor recommended that the retiree health credit be increased from \$4.50 per year of service to \$5.00 per year of service. This benefit change was funded by a monthly retirement contribution increase of 0.15 percent, increasing the state contribution from 9.12 percent to 9.27 percent. This change, however, was not approved by the legislature.

In addition to the compensation package noted above, the Governor recommended, and the legislature approved, a \$10.0 million pool to address issues of equity and moving employee salaries closer to market. The \$10.0 million is comprised of \$5.0 million general fund dollars and \$5.0 million non-general funds. Based on market data for all classified employees in the Human Resource Management Service (HRMS) system, funds will be distributed to agencies to adjust employee salaries. The HRMS Division of the Office of Management and Budget (OMB) must provide or approve the adjustment plan of agencies prior to transferring the appropriation authority. Those

employees furthest from the market will receive the largest increases. Years of service will be recognized in order to minimize compression or other inequities.

Unique circumstances warranted other salary increases being recommended and approved in specific agencies as follows:

Agency	General Fund	Other Funds
Office of the State Auditor	\$115,000	
Office of the Attorney General	872,079	\$10,921
Office of Administrative Hearings		120,528
Retirement and Investment Office		65,301
Public Employees Retirement System		202,760
Insurance Department		172,236
Securities Department	61,831	
Highway Patrol	352,500	
Office of the Adjutant General	300,000	
Agriculture Commissioner	151,000	108,000
Council on the Arts	92,315	

2005 – 2007 SUPPLEMENTAL APPROPRIATIONS

Supplemental general fund appropriations were recommended and approved for agencies as follows:

125	Attorney General	\$167,170
201	Department of Public Instruction	275,000
230	University of North Dakota	2,069,727
235	North Dakota State University	289,092
244	North Dakota Forest Service	55,500
530	Department of Corrections & Rehabilitation	4,069,832
540	Office of Adjutant General	4,100,000
602	Department of Agriculture	58,130
TOTAL		\$11,084,451

The supplemental appropriation recommended and approved for the Office of the Attorney General covers shortfalls in litigation fees (\$21,140), prosecution witness fees (\$43,000) and school finance litigation costs (\$103,030).

The supplemental appropriation for the Department of Public Instruction provides operating funds for the Department to meet its essential obligations.

The supplemental appropriation recommended and approved for the University of North Dakota represents the university's share of expenses due to the 1997 flood.

The amount recommended and approved for North Dakota State University represents the university's share of expenses due to the 2000 rain event.

The supplemental appropriation for the North Dakota Forest Service covers agency costs in fighting wild land fires during the 2006 season.

The supplemental appropriation for the Department of Corrections and Rehabilitation is due to higher than anticipated inmate populations for both male and female inmates, a higher than budgeted daily rate at the Dakota Women's Correctional Rehabilitation Center, and higher than budgeted medical costs, meal costs and number of meals served.

The Division of Emergency Services, within the Office of the Adjutant General, borrows from the Bank of North Dakota sufficient funds to pay the state's share of disaster costs. This supplemental appropriation allows for repayment of the loan with interest.

The supplemental appropriation for the Department of Agriculture is due to federal funding reductions in the State Meat and Poultry Inspection program.

TAX CREDITS

The Governor and the Legislative Assembly worked together to enact monumental legislation to provide tax relief and tax exemptions to North Dakotans and tax credits for businesses to further stimulate our growing economy.

The law changes include the following:

- Provided to North Dakota residents who pay property taxes on residential, commercial, and agricultural land, a 10% tax credit on their 2007 and 2008 income taxes representing an estimated \$112.0 million of property tax relief. (SB 2032)
 - Expanded the Homestead Tax Credit program appropriation from the present \$4.5 million to \$8.1 million. The program provides a tax credit for the elderly and disabled based on income. An additional 7,837 homeowners and 1,772 renters are estimated to benefit from the increased appropriation. (SB 2032)
 - Revised statutory language that will result in more disabled veterans benefiting from the Homestead Property Tax Credit program. (SB 2172)
 - Eliminated the marriage penalty on income tax that is estimated to save North Dakota married couples \$8.9 million in the next biennium. (SB 2032)
 - Authorized a phase out of the taxes on heating fuels resulting in an estimated savings to citizens of \$7.0 million. (HB 1049)
 - Provided an income tax credit for the installation of geothermal, solar, or wind energy. (SB 2298)
 - Created a new tax credit in the amount of 45% for investments in Angel Funds. The cap is \$45,000 annually and the taxpayer is not allowed to claim any additional credit available under the seed capital investment tax credit. (SB 2224)
- Increased the tax credit for research and experimental expenditures to a rate of 25 percent for the first \$100,000 of qualified research expenses and 20 percent for amounts over \$100,000. North Dakota will offer the highest research and development tax credit in the United States for conducting new research in our State. (HB 1018)
 - Enhanced internship programs by providing an employer a 10 percent tax credit on the salary paid to a college intern. There is a lifetime maximum credit of \$3,000.
 - Authorized a 5 percent tax credit for the first year of a new employee hired for a hard-to-fill employment position. The new employee will also receive a tax deduction for the payment of a signing bonus and moving expenses.

RENEWABLE ENERGY

Within the executive budget recommendation, the Governor created a \$5.0 million biofuels partnership in assisting community expansion (Biofuels PACE) fund which will be used to buy down the interest rates on loans for construction of biodiesel or ethanol production facilities and related livestock operations. The Legislative Assembly approved the fund and expanded the eligibility to include purchase of renewable fuel pumps and condominium grain storage facilities. Through the matching requirement, the \$5.0 million fund will support \$25 million to \$750 million of new investment in biofuels.

The Governor also recommended, and the Legislative Assembly approved, three new positions and \$700,000 to be utilized by the NDSU agriculture research and extension divisions to focus on bioproducts research.

The Legislative Assembly approved additional measures related to renewable energy:

- Created a biomass incentive and research fund and provides up to a \$2 million appropriation for a biomass demonstration project and biomass incentives. (HB 1515)
- Established a Renewable Energy Council and renewable energy development fund under the control of the Industrial Commission. An initial \$3.0 million general fund appropriation may be leveraged for an additional \$17 million of renewable energy grants for projects promoting North Dakota-produced energy including: biodiesel, biomass, coal, ethanol, geothermal, hydroelectric, hydrogen, natural gas, oil, solar, and wind. (SB 2288)
- Continued the ethanol production incentive fund that will make available an estimated \$7.3 million for counter-cyclical support for ethanol plants.

- Adopted a state goal to derive 25 percent of the nation's energy from renewable sources by the year 2025 and created an energy policy commission to develop a comprehensive energy policy for the state. (HB 1462)
- Approved \$2.2 million in sales and use tax exemptions for materials used to construct co-generation power plants in conjunction with value added agriculture projects and waste heat electric generating facilities. (SB 2298)
- Encouraged the purchase of environmentally preferable paper and printing products by the state. (HB 1483)
- Endorsed a \$1 million interest buy-down loan program on new or expanding livestock or dairy operations. (HB 1135)
- Supported a 30 percent investment tax credit for livestock feeding and milking operations that use biofuels facility byproducts. (HB 1018)
- Permitted loans to dairy farms within the Bank of North Dakota Livestock Guarantee Program. (SB 2104)

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.

REVENUE HIGHLIGHTS***General Fund*****2005-2007**

The 2005-2007 biennium began with a general fund balance of \$68.0 million. Total general fund expenditures are estimated at \$1.991 billion, including \$11.1 million supplemental appropriations authorized by the 2007 Legislative Assembly and \$10.0 million estimated unspent appropriation authority. The most current 2005-2007 revenue forecast provides for general fund revenues of \$2.241 billion.

Throughout the biennium, revenues consistently exceeded projections. Through April 30, 2007, actual collections exceed the 2005 legislative forecast by over \$350.0 million, or 20.3 percent. Leading this growth are corporate and individual income tax collections, which both exceed the legislative forecast by over \$125.0 million. Sales and use taxes exceed the legislative forecast by over \$67.0 million.

Strong oil and gas prices have increased exploration activities and production. Oil and gas extraction and production taxes have significantly exceeded the original legislative forecast. However, pursuant to North Dakota Century Code (NDCC) Section 57-51.1-07.2, all oil taxes collected in excess of \$71.0 million are deposited in the permanent oil tax trust fund rather than the general fund. Through April 30, 2007, deposits into the permanent oil tax trust fund have totaled \$143.8 million. By the end of the 2005-2007 biennium, deposits into the permanent oil tax trust fund are estimated to total \$165.4 million.

The price of oil is anticipated to gradually decline from \$62 per barrel to \$50 per barrel in fiscal year 2007. Production is anticipated to gradually increase from 113,000 to 115,000 barrels per day by June 30, 2007. Current production is

averaging around 117,000 barrels per day; the current price for North Dakota crude is around \$60 per barrel.

2007-2009

The estimated June 30, 2007, general fund balance before transfers is projected to be \$318.9 million, based on the revised 2005-2007 revenue forecast, authorized supplemental appropriations, and estimated unspent general fund appropriation authority. House Bill 1429, passed by the 2007 Legislative Assembly, provides for a transfer of \$100.5 million from the general fund to the budget stabilization fund at the end of the 2005-2007 biennium. This will result in a \$200.0 million balance in the budget stabilization fund for the 2007-2009 biennium. The July 1, 2007 general fund balance is estimated at \$218.4 million, after allowing for the transfer to the budget stabilization fund.

Projected general fund revenues are \$2.257 billion for the 2007-2009 biennium, \$15.9 million more than the revised estimate for the 2005-2007 biennium.

Comparing the 2007-2009 biennium legislative forecast to the 2005-2007 revised forecast:

- Taxable sales and purchases are expected to grow by \$66.8 million, or 7.9 percent.
- Motor vehicle excise tax collections are expected to decline by \$8.0 million, or 6.7 percent. This decline considers only the general fund portion of motor vehicle collections. House Bill 1012 provides for a transfer of \$12.6 million to the highway fund, reducing general fund revenue by that amount. Total motor vehicle excise tax collections are expected to grow by \$4.6 million.
- Individual income tax collections are expected to decline by \$55.6 million, or 10.1 percent as a result of the income tax credit provisions of Senate Bill 2032.

- Corporate income tax collections, which reached an historic high during the 2005-2007 biennium in part due to one-time audit collections, are anticipated to decline by \$40.4 million, or 21.4 percent, in part due to the income tax credit provisions of Senate Bill 2032.
- Interest income is anticipated to grow by \$4.3 million, or 13.4 percent.
- Transfers to the general fund from the permanent oil tax trust fund will be increased by \$59.7 million, or 108.0 percent, primarily to offset anticipated revenue reductions resulting from the income tax credit provisions of SB 2032.
- Transfers from the Bank of North Dakota are held even at \$60.0 million.
- The transfer from the student loan trust fund will be reduced from \$9.0 million to \$3.1 million.
- The transfer from the State Mill and Elevator will be continued at the 2005-2007 biennium level of \$5.0 million.
- The transfer from the lands and minerals trust fund is anticipated to increase from \$6.8 million to \$15.0 million as a result of increased mineral income.

Oil extraction and gross production tax collections are projected to total \$217.0 million during the 2007-2009 biennium. North Dakota Century Code Section 57-51.1-07.2 provides that all oil tax collections in excess of \$71.0 million are to be deposited in the permanent oil tax trust fund. As a result, \$71.0 million will be deposited in the general fund and the remaining \$146.0 million will be deposited in the permanent oil tax trust fund.

The permanent oil tax trust fund is anticipated to begin the 2007-2009 biennium with a balance of \$135.2 million and end the biennium with a balance of \$135.5 million. Legislatively authorized expenditures from the fund for the 2007-2009 biennium include appropriations to higher education, the

Veterans Home, NDSU Research and Extension, and a \$115.0 million transfer to the general fund.

The price of oil is expected to average \$50 per barrel during fiscal year 2008 and to decline to \$34 per barrel by the end of fiscal year 2009. Oil production is expected to increase from 115,000 to 116,000 barrels per day during fiscal year 2008. Production is anticipated to continue increasing to 119,000 barrels per day by the end of fiscal year 2009.

The Legislative Assembly passed significant tax relief legislation during the 2007 session. The Governor proposed a plan for property tax relief for residential property in the amount of 10 percent, for agricultural property in the amount of 5 percent, and for commercial property in the amount of 5 percent, to be funded with \$116.7 million from the permanent oil tax trust fund. The Legislative Assembly took a different approach to accomplish tax relief. The legislative plan passed in Senate Bill 2032 provides an income tax credit equal to ten percent of qualifying residential and commercial property taxes. This is anticipated to reduce individual income tax collections by \$101.0 million and corporate income tax collections by \$11.0 million. In addition, the bill reduces the marriage tax penalty, which is anticipated to reduce individual income tax collections by \$8.9 million. The bill also expands the elderly and disabled homestead tax credit program, which increases general fund appropriations for the program by \$3.6 million. To offset the anticipated reduction in general fund revenues, the Legislative Assembly authorized a transfer of \$115.0 million from the permanent oil tax trust fund to the general fund.

Based on the legislative revenue forecast and appropriations, the projected June 30, 2009, general fund ending balance is \$18.6 million.

Other Funds

Unlike agency budget requests and the executive budget, the legislative appropriation does not distinguish between state special funds and federal funds – both are included in the category of “other” funds appropriated to agencies. However, OMB requires agencies to identify anticipated special and federal fund components of their other funds appropriations. Although these amounts are subject to change as the biennium progresses, as of the date of this publication, agencies have indicated that the \$4.020 billion other funds appropriation includes the following:

Federal funds	\$2.399 billion
Special funds	<u>1.621</u> billion
Total other funds.	\$4.020 billion

Federal funds represent 37.0 percent of the legislative budget and are included, along with state special funds, in the legislatively authorized “other” funds appropriation. Agencies receiving significant federal funds include the Department of Transportation, Department of Human Services, Job Service North Dakota, and the Agricultural Research Centers throughout the state.

Congress sets the amount of federal funds received by states in annual appropriation sessions. The amount indicated above is the total of agency estimates of what they may receive during the biennium. If anticipated federal funds are not forthcoming, the agencies cannot use all their appropriation authority. If actual federal funds received exceed budget estimates, the agency can request, from the Emergency Commission, authority to accept and expend additional funds.

Special funds represent 25.0 percent of the legislative budget. Special funds are best described as dedicated funds usually

earmarked for specific purposes. One example is the state gas tax earmarked for Department of Transportation functions.

Agencies with significant amounts of dedicated funds include the Retirement and Investment Office, Public Employees Retirement System, and the State Land Department, which operate on interest from investments. The Bank of North Dakota and the North Dakota Mill and Elevator Association operate on their own profits. Agencies like the Information Technology Department and the Central Services division of the Office of Management and Budget charge agencies for services provided. The Game and Fish Department has other funds from hunting and fishing licenses.

These special, dedicated funds are estimated by state agencies and are included as part of the legislatively authorized “other” funds appropriation.

General Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$68,015,056 ¹	\$218,340,947
Revenue:		
Revenue forecast	2,241,390,334 ²	2,257,279,965 ²
Expenditures:		
General fund appropriations - ongoing	(\$1,980,581,116) ³	(\$2,292,838,956) ³
General fund appropriations - one time	(8,871,507) ³	(164,135,000) ³
Authorized supplemental appropriations	(11,084,451) ¹	
Estimated unspent authority	10,000,000	
Total Expenditures	<u>(1,990,537,074)</u>	<u>(2,456,973,956)</u>
Ending Balance Before Transfers	318,868,316	18,646,956
Transfers:		
Transfer to the budget stabilization fund	<u>(100,527,369)</u>	
Ending Balance	<u><u>\$218,340,947</u></u>	<u><u>\$18,646,956</u></u>

¹ Actual July 1, 2005, beginning balance and authorized supplemental appropriations. All other amounts shown are estimates.

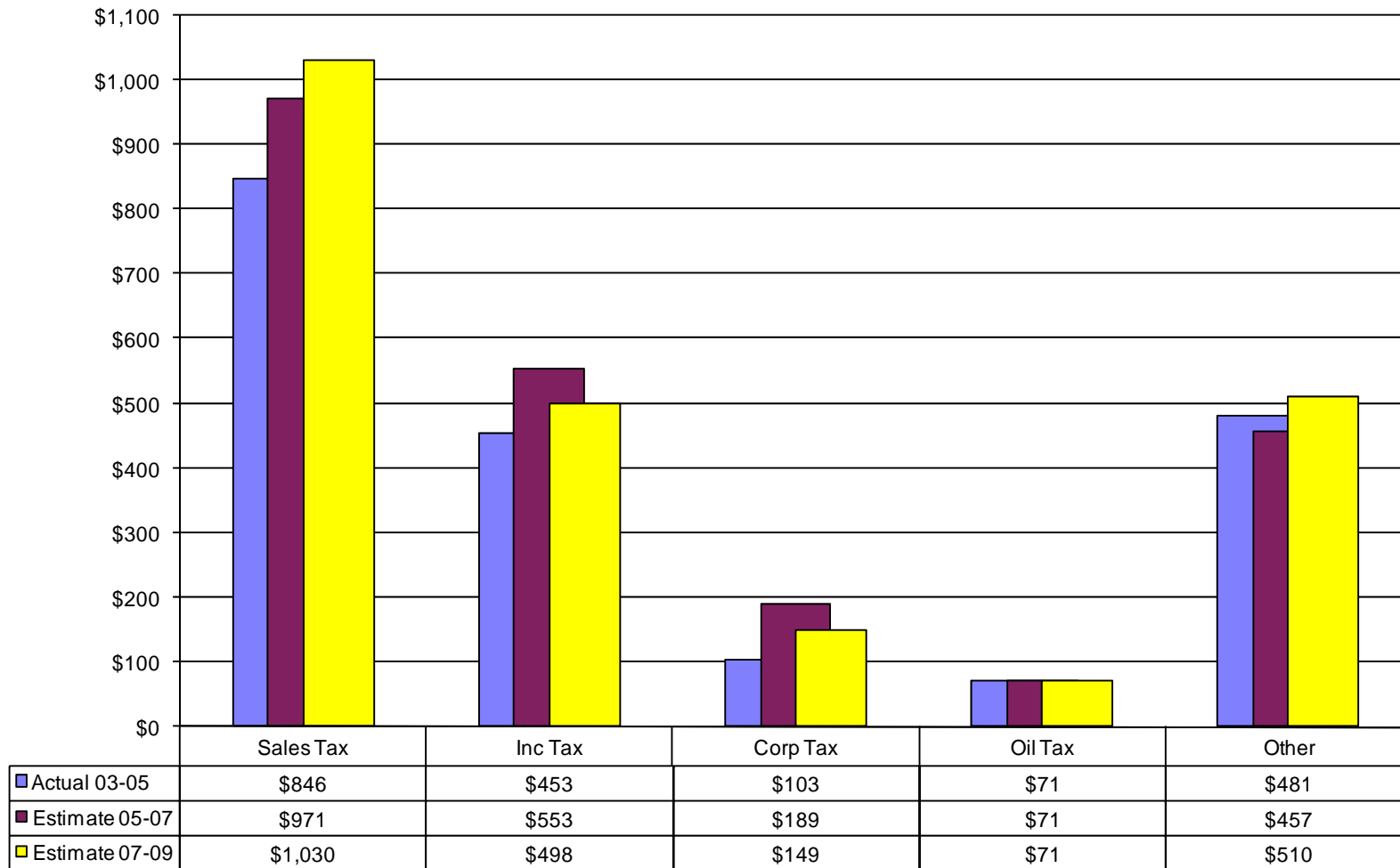
² Revenue estimates based on the April 2007 legislative revenue forecast.

³ General fund appropriations are categorized as "ongoing" or "one time" for the purposes of this schedule. Ongoing expenditures include salaries, operating, and normal capital replacements and repairs. One time expenditures include one time appropriations for deferred maintenance and extraordinary repairs, as well as capital projects.

STATE OF NORTH DAKOTA
COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE
 1999-2001 THROUGH 2007-2009

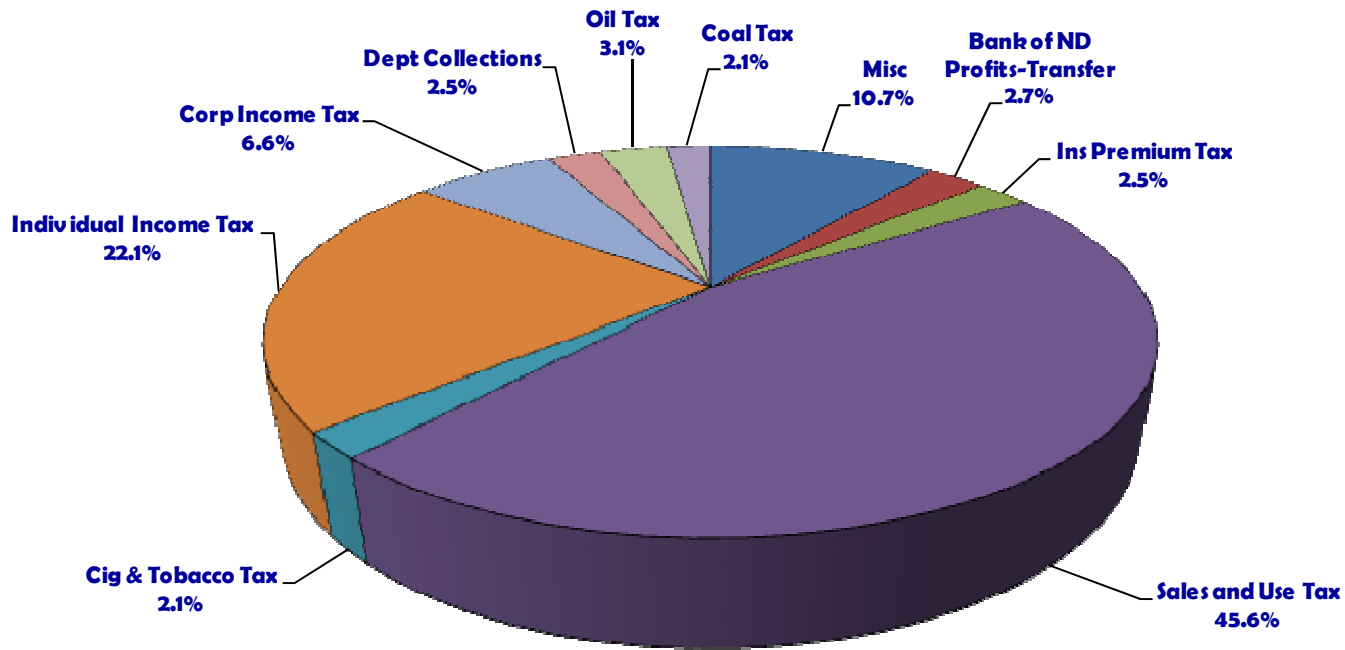
REVENUE SOURCE	ACTUAL 1999-2001	ACTUAL 2001-2003	ACTUAL 2003-2005	ESTIMATE 2005-2007	ESTIMATE 2007-2009
Sales and Use Taxes	\$613,066,466	\$640,618,363	\$717,758,293	\$849,739,753	\$916,540,678
Motor Vehicle Excise Tax	109,115,230	119,592,232	128,010,103	121,605,559	113,558,900
Individual Income Tax	409,331,437	396,153,000	452,547,326	553,446,952	497,816,000
Corporate Income Tax	99,134,855	88,417,166	102,926,972	188,974,587	148,569,848
Financial Institutions Tax	5,464,955	6,257,389	4,958,673	8,372,320	9,400,000
Cigarette and Tobacco Tax	41,706,350	39,313,360	39,476,712	45,991,081	47,366,000
Oil and Gas Production Tax	38,433,365	39,159,000	45,534,044	45,774,119	39,839,000
Oil Extraction Tax	23,566,635	22,841,000	25,465,956	25,225,881	31,161,000
Coal Severance Tax	22,173,854				
Coal Conversion Tax	25,672,170	46,878,511	47,196,831	48,522,047	47,447,000
Insurance Premium Tax	39,113,433	48,990,027	56,284,535	53,884,876	55,470,000
Wholesale Liquor Tax	10,321,999	11,155,834	11,889,465	12,646,589	12,679,000
Gaming Tax	27,437,507	27,612,652	20,850,911	18,427,165	20,753,844
Lottery			7,269,005	12,600,000	11,155,000
Departmental Collections	40,816,171	57,506,019	61,004,537	54,458,514	56,729,639
Interest Income	20,832,123	8,509,483	6,935,015	32,125,070	36,420,000
Mineral Leasing Fees	9,531,698	6,440,513	11,024,583	14,871,893	13,000,000
Federal Fiscal Relief Payments			56,456,581		
Bank of North Dakota Profits Transfer	50,000,000	78,699,787	60,000,000	60,000,000	60,000,000
Student Loan Trust Fund Interest Transfer		9,000,000	26,258,969	9,000,000	3,100,000
State Mill Profits Transfer	3,000,000	6,000,000	5,000,000	5,000,000	5,000,000
Gas Tax Administration Transfer	1,380,608	1,363,392	1,396,200	1,400,000	1,274,056
Other Transfers*	5,159,194	15,370,511	65,153,319	79,323,928	130,000,000
TOTAL	\$1,595,258,050	\$1,669,878,239	\$1,953,398,030	\$2,241,390,334	\$2,257,279,965
* Other Transfers Include:	1999-2001	2001-2003	2003-2005	2005-2007	2007-2009
Land & Minerals Trust Fund	\$3,000,000	\$3,545,102	\$2,000,000	\$6,800,000	\$15,000,000
Water Development Trust Fund		9,733,820	10,070,373		
Permanent Oil Tax Trust Fund			11,910,000	55,300,000	115,000,000
Bonding Fund			2,800,000		
Health Care Trust Fund			35,911,035	16,900,000	
Miscellaneous Transfers	2,159,194	2,091,589	2,461,911	323,928	
	\$5,159,194	\$15,370,511	\$65,153,319	\$79,323,928	\$130,000,000

**Comparison of General Fund Revenue by Major Source
2003-2005 Through 2007-2009**



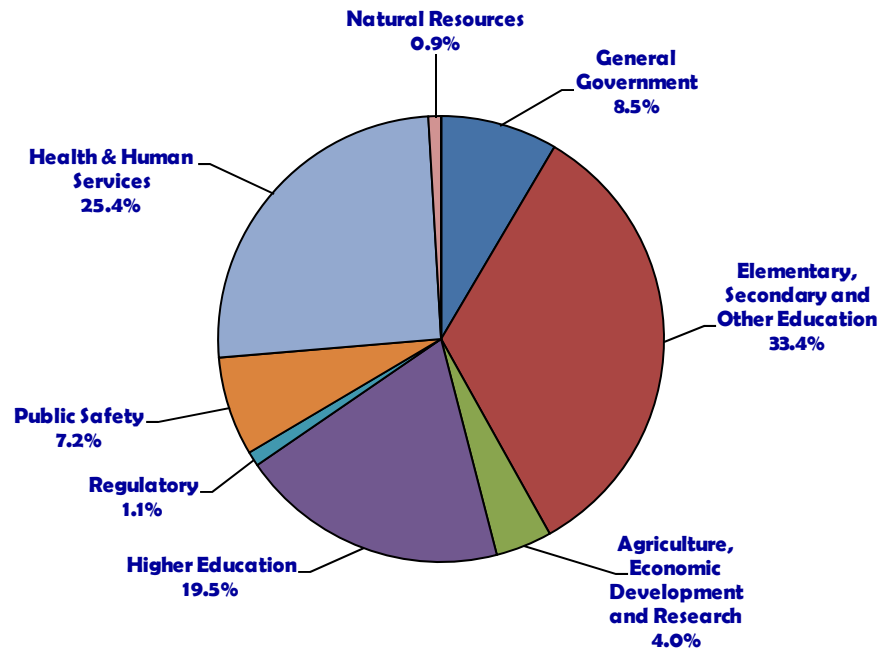
**Comparison of General Fund Revenue by Major Source
2007-2009**

\$2,257,279,965

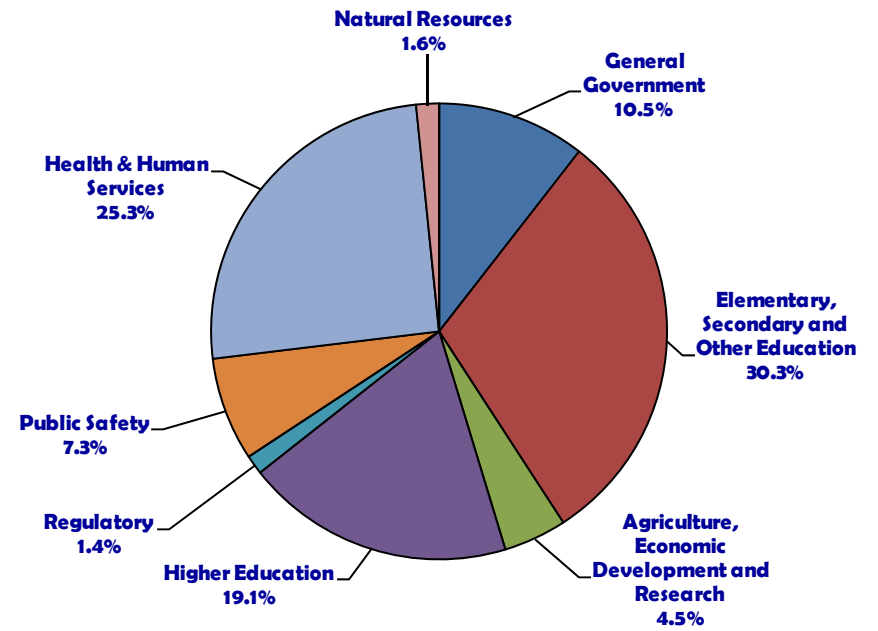


General Fund Budget 2005-2007 and 2007-2009

2005-2007
Legislative Appropriation
\$1,989,452,623

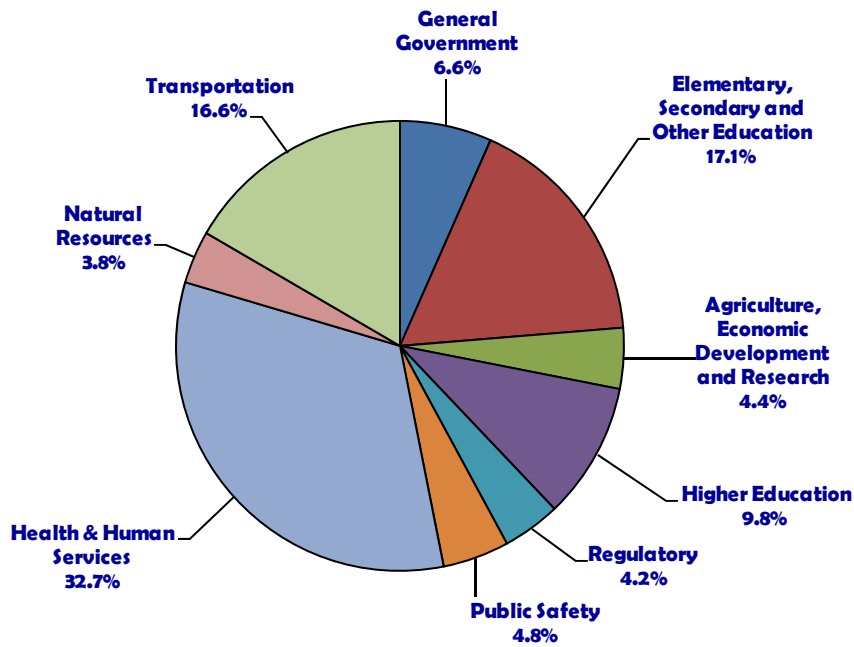


2007-2009
Legislative Appropriation
\$2,456,973,956

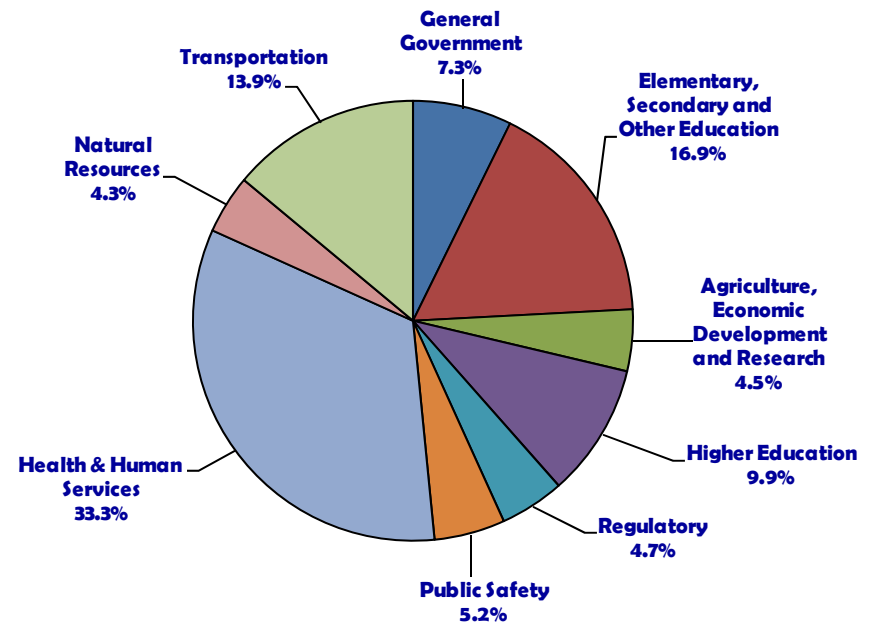


Total Funds Budget 2005-2007 and 2007-2009

2005-2007
Legislative Appropriation
\$5,752,673,790



2007-2009
Legislative Appropriation
\$6,477,489,040



Bonding Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$2,599,756 ¹¹	\$2,531,056 ¹¹
Revenue:		
Premiums	\$0 ¹²	\$0 ¹²
Investment revenue	310,300 ¹³	325,000 ¹³
Claims restitution	45,000 ¹⁴	45,000 ¹⁴
Game & Fish revenue	5,000 ¹⁵	6,000 ¹⁵
Total Revenue	360,300	376,000
Expenditures:		
Loss claim payments	375,000 ¹⁶	100,000 ¹⁶
Claims related payments	19,000 ¹⁷	20,000 ¹⁷
Appropriated-fund administration	35,000	44,131
Total Expenditures	429,000	164,131
Ending Balance	<u>\$2,531,056</u>	<u>\$2,742,925</u>

¹¹ Cash and investments, less securities lending collateral, from the 2005 comprehensive annual financial report (CAFR).

¹² There have been no premiums assessed or payments received in this fund since 1953.

¹³ Investment revenue is based on historical, current information, and projections of future market conditions.

¹⁴ Claims restitution to the fund from individuals based on historical data.

¹⁵ Game and Fish revenue from bonding fees for businesses selling game and fish licenses based on historical data.

¹⁶ Loss claims payments are based on historical and current data, open claims reports, and actuarial projections.

¹⁷ 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 \$2.0 million.

Budget Stabilization Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$99,472,631 ¹¹	\$200,000,000
Revenue:		
Transfer from general fund	100,527,369 ¹²	0
Transfers:		
Transfers to general fund	0 ¹³	0 ¹³
Ending Balance	<u>\$200,000,000</u>	<u>\$200,000,000</u>

¹¹ Actual July 1, 2005, beginning balance.

¹² The 2007 Legislative Assembly passed House Bill No. 1429, which:

- Provides for a transfer of \$100,527,369 from the general fund to the budget stabilization fund to bring the balance to \$200.0 million for the 2007-2009 biennium.
- Increases the cap on the budget stabilization fund from 5 percent to 10 percent of the current biennial state general fund budget. Based on the 2007-2009 appropriation, the 10 percent cap would provide for a total of \$245.7 million in the budget stabilization fund. However, this provision does not become effective until July 1, 2009.

¹³ No transfers from the budget stabilization fund to the general fund are anticipated during the 2005-2007 or 2007-2009 bienniums. Transfers will only take place if actual general fund collections fall short of revenue projections, as provided in 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, subject to the provisions of NDCC 54-27.2-01.

Pursuant to NDCC Section 54-27.2-01, the fund is limited to no more than 5 percent of current biennium appropriations. This provision was suspended by 2007 HB 1429, which provides for a \$200.0 million balance during the 2007-2009 biennium and a cap of 10 percent of appropriations beginning July 1, 2009. 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.

Currently, 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

	2005-2007	2007-2009
Beginning Balance	\$4,502,525	\$2,020,981
Revenue:		
Tobacco revenue	4,382,812	7,000,290
Expenditures:		
Dental loan fund	(\$420,000)	(\$380,000)
Dental New Practice Grant Program	\$0	(\$60,000)
Physician loan fund	0	(150,000)
Colorectal Cancer Screening	0	(150,000)
EMS Training Grants	0	(300,000)
Tobacco Coordinator and Operating Exp	(111,000)	(139,397)
Tobacco Advisory Committee	(100,000)	(100,000)
City/County and State Employee Cessation	(395,000)	(260,000)
Local Health and Tobacco Programs	(4,700,000)	(4,700,000)
Tobacco Quit Line	(884,000)	(1,069,000)
DHS breast & cervical cancer	(254,356)	(213,904)
Governor's Prevention and Advisory Council	0	(100,000) ¹
Total Expenditures	<u>(6,864,356)</u>	<u>(7,622,301)</u>
Ending Balance	<u><u>\$2,020,981</u></u>	<u><u>\$1,398,970</u></u>

¹ Governor's Prevention and Advisory Council authorized in SB 2276.

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 Statements

	2005-2007	2007-2009
Beginning Balance	\$22,820,012 ¹¹	\$26,388,516
Revenue:		
Premium revenue	\$9,825,000 ¹²	\$7,500,000 ¹²
Investment revenue	3,000,000 ¹³	3,000,000 ¹³
Claims recovery	10,000 ¹⁴	1,000,000 ¹⁴
Boiler inspection fee	325,000	350,000
Anhydrous ammonia	150,000	150,000
Total Revenue	13,310,000	12,000,000
Expenditures:		
Insurance claims	4,900,000 ¹⁵	5,100,000 ¹⁵
Claims related payments	3,150,000 ¹⁶	3,200,000 ¹⁶
Appropriated-fund administration	1,138,576 ¹⁷	1,153,804 ¹⁷
Fire Marshal inspection fees	426,920	310,000
ND Firefighter's Association	126,000	170,000
Total Expenditures	9,741,496	9,933,804
Ending Balance	\$26,388,516	\$28,454,712

¹¹ Cash and investments, less securities lending collateral, from 2005 Comprehensive Annual Financial Report (CAFR).
¹² Premium revenue is projected using historical data, volume of activity, and premium changes calculated by the actuary. The decrease in 2007-2009 is attributable to a 50% reduction in 7/1/07 premiums due to fund balance.
¹³ Investment revenue is based on current financial statements and projections by the Retirement & Investment Office.
¹⁴ 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.
¹⁵ Insurance claims expense is based on historical and current data, open claims reports, and actuarial reports.
¹⁶ Claims related payments include claim adjusting fees and premium payments for re-insurance.
¹⁷ Administration includes expenses for anhydrous inspections.

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. North Dakota Century Code 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

	2005-2007	2007-2009
Beginning Balance	\$16,098,385 ¹	\$28,132,735
Revenue:		
Oil extraction tax allocations	12,034,350 ²	16,990,581 ³
Transfers:		
Transfer to state school aid program	<u>0</u>	<u>0</u>
Ending Balance	<u><u>\$28,132,735</u></u>	<u><u>\$45,123,316</u></u>

¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

² Based on actual oil extraction tax allocations through April 30, 2007, and the April 2007 legislative revenue forecast for the remainder of the biennium.

³ Based on the April 2007 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. North Dakota Century Code 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

	2005-2007	2007-2009
Beginning Balance	\$0 ¹¹	\$0
Revenue:		
Motor vehicle fuel tax	\$161,500,000 ¹²	\$148,000,000 ¹²
Special fuel tax	77,800,000 ¹³	80,800,000 ¹³
Special fuel excise tax	9,500,000 ¹³	12,400,000 ¹³
Motor vehicle registration fees	85,100,000 ¹⁴	91,200,000 ¹⁴
Total Revenue	<u>333,900,000</u>	<u>332,400,000</u>
Transfers:		
Highway Patrol	(\$7,516,175)	(\$4,200,000)
Motorboat safety account	(200,000) ¹⁵	(200,000) ¹⁵
State snowmobile fund	(200,000) ¹⁶	(200,000) ¹⁶
Counties	(74,102,280) ¹⁷	(74,428,000) ¹⁷
Cities	(45,105,736) ¹⁷	(45,304,000) ¹⁷
State highway fund	(202,975,810) ¹⁷	(203,868,000) ¹⁷
Tribal agreements	(1,000,000) ¹⁸	(1,000,000) ¹⁸
Ethanol production incentive	(2,800,000) ¹⁹	(3,200,000) ¹⁹
Total Transfers	<u>(333,900,000)</u>	<u>(332,400,000)</u>
Ending Balance	<u>\$0</u>	<u>\$0</u>

¹¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

¹² Motor fuel tax amounts are net of amounts withheld for the refund reserve, the motor fuels operating fund, and the one cent gas tax withheld for the township highway aid fund (54-27-19.1). Motor fuel tax amounts include amounts collected for penalties and interest, and license and permit fees (57-43.1-28).

¹³ Special fuel taxes are net of the gas tax withheld for the township highway aid fund (54-27-19.1). Special fuel taxes include amounts collected for penalties and interest, and license and permit fees (57-43.2-19).

- ¹⁴ Motor vehicle registrations are net of amounts withheld to pay fuel tax refunds for the International Fuel Tax Agreement (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 (39-04-19). Motor vehicle registrations exclude the fees collected by the Motor Vehicle Division but paid to other funds, such as the motor vehicle excise tax and the state aid distribution, the motorcycle safety education fund (39-28-05), busing assistance paid to the the public transportation fund (39-04.2-03), abandoned motor vehicle disposal fund (39-26-12), veterans' cemetery maintenance fund (39-04-10.10), all-terrain vehicle fund (39-29-01.1), the employment of people with disabilities fund (39-01-15), and the unsatisfied judgement fund (39-24-03).
- ¹⁵ 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 (20.1-02-16.6).
- ¹⁶ 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 (39-24-05).
- ¹⁷ Pursuant to 54-27-19, sixty three percent of moneys in the highway tax distribution fund are transferred monthly to the highway fund. Thirty-seven percent of the moneys are allocated to counties based on the number of motor vehicle registrations in each county and to cities based on the relative population of each city within the county.
- ¹⁸ The current agreement between the Standing Rock Reservation and the State of North Dakota provides the reservation will be distributed 75 percent of the tax on fuel sold on the reservation, less a 1 percent administrative fee. 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 will execute an agreement by the end of the biennium (54-40.2-02).
- ¹⁹ The State Treasurer shall transfer annually from the highway tax distribution fund to the ethanol incentive fund an amount equal to 40 percent of all sums collected for the registration of farm vehicles (39-04-39).

Notes:

Projected revenues and transfers for the 2005-2007 biennium are original estimates based on statutory changes enacted by the 2005 Legislative Assembly and contained in 2005 Senate Bill No. 2012. Through April 30, 2007, gross highway tax distribution fund collections are tracking closely with original estimates. Actual collections exceed estimates by a variance of less than 4.0 percent.

Health Care Trust Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$20,134,411	\$2,532,668
Revenue:		
Net interest earnings	\$1,422,112	\$231,085
Principal and interest repayments	1,086,145 ^{/1}	1,009,583
Total Revenue	2,508,257	1,240,668
Expenditures:		
Transfers to State General Fund	(\$16,900,000)	
Provider Inflationary Increase - 0.65%	(3,001,852)	
DD Provider Increase	(198,148)	
Nursing Home Inflationary Increase		(525,597)
Quick response unit pilot project	(10,000) ^{/2}	(\$125,000) ^{/2}
Evaluate State Trauma System		(\$75,000)
Total Expenditures	(20,110,000)	(725,597)
Ending Balance	\$2,532,668	\$3,047,739

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

^{/2} The quick response unit pilot project is appropriated to the Health Department.

Lands and Minerals Trust Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$6,820,579 ¹¹	\$13,199,751
Revenue:		
Mineral royalties	\$7,750,278	\$7,324,677
Mineral rents	266,592	245,235
Mineral bonus	5,097,312	500,000
Human Services DD loans	1,060,651	1,136,677
Investment income	1,104,238	1,454,944
Total Revenue	<u>15,279,071 ¹²</u>	<u>10,661,533 ¹²</u>
Expenditures and Transfers:		
Transfer to common schools for DD loan	(\$1,652,538)	(\$1,643,060)
Transfer to general fund	(6,800,000)	(15,000,000)
Transfer to Industrial Commission	(225,000)	(285,000)
Appropriation to OMB for planning and design of Heritage Center expansion		(1,500,000)
Appropriation to Historical Society for purchase of Cold War missile site		(250,000)
Administrative expenses	(222,361)	(271,972)
Total Expenditures and Transfers	<u>(8,899,899)</u>	<u>(18,950,032)</u>
Ending Balance	<u>\$13,199,751</u>	<u>\$4,911,252</u>

¹¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

¹² Revenue estimates provided by Land Department.

Notes:

The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred to the Board of University and School Lands possessory interests in real property belonging to or managed by the Bank of North Dakota. Upon sale of the real property, the state retained the mineral interests. All income from the sale, lease, and management of these lands and mineral interests is 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

	2005-2007	2007-2009
Beginning Balance	\$50,369,096 ¹	\$135,177,443
Revenue	165,426,167 ²	146,017,945 ³
Expenditures and Transfers:		
Appropriation for Peace Garden Music Camp	(\$350,000)	
Appropriation for Centers of Excellence	(16,000,000)	(\$15,000,000)
Additional appropriation for Centers of Excellence	(5,300,000)	
Department of Human Services MMIS	(3,667,820)	
Higher education		(7,783,315)
Grants to tribal colleges		(700,000)
Veterans Home facility		(6,483,226)
Agricultural research and extension		(750,000)
Transfer to the general fund	(55,300,000)	(115,000,000)
Total Expenditures and Transfers	<u>(80,617,820)</u>	<u>(145,716,541)</u>
Ending Balance	<u>\$135,177,443</u>	<u>\$135,478,847</u>

¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

² Estimated oil extraction and production taxes in excess of the current statutory cap of \$71.0 million (North Dakota Century Code 57-51.1-07.2), based on actual collections through April 30, 2007 and the April 2007 legislative revenue forecast for the remainder of the biennium.

³ Estimated oil extraction and production taxes in excess of the current statutory cap of \$71.0 million (North Dakota Century Code 57-51.1-07.2), based on the April 2007 legislative revenue forecast.

Notes:

North Dakota Century Code 57-51.1-07.2 establishes the permanent oil tax trust fund. This section provides that 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 spent upon approval of two-thirds of the members of each house of the Legislative Assembly.

The 2007 Legislative Assembly passed House Concurrent Resolution No. 3045, which if approved by the voters, enacts a new section to Article X of the Constitution of North Dakota. This new section would provide that after \$100 million each biennium has been deposited in the general fund from oil taxes, any additional oil tax revenue will be deposited in the permanent oil tax trust fund. Beginning in 2011, the \$100 million threshold is adjusted for changes in the consumer price index. Interest earnings are to be transferred annually to the general fund. The principal can only be spent upon approval of 75 percent of the members of each house of the Legislative Assembly and no more than 20 percent of the principal balance may be spent during any biennium.

Resources Trust Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$36,743,173 ¹¹	\$26,588,173
Revenue:		
Repayments and reimbursements	\$2,539,000	\$2,395,000
Oil extraction tax collections	25,146,000	33,356,000
Interest	1,860,000	861,000
Total Revenue	<u>29,545,000</u> ¹²	<u>36,612,000</u> ¹³
Expenditures:		
Water Commission appropriation	<u>(39,700,000)</u> ¹²	<u>(63,200,173)</u> ¹⁴
Ending Balance	<u><u>\$26,588,173</u></u>	<u><u>\$0</u></u>

¹¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

¹² Based on actual revenues or expenditures through April 2007 and estimates for the remaining two months of the biennium.

¹³ Per the February 2007 revenue forecast and adjusted for legislative actions. Senate Bill 2397 lowered the oil extraction tax on horizontal wells drilled in the Bakken formation during fiscal year 2008, reducing estimated revenues by \$625,400.

¹⁴ The 2007-09 legislative appropriation for the State Water Commission is \$69,352,698. Estimated expenditures were reduced to reflect that actual expenditures can not exceed revenues.

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.

North Dakota Century Code Section 57-51.1-07 provides that the resources trust fund is available for legislative appropriation to the State Water Commission for planning and constructing water-related projects and to the Industrial Commission for energy conversion 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

	2005-2007	2007-2009
Beginning Balance	\$0	\$0
Revenue:		
Sales tax revenue	\$73,638,239	\$79,699,189
Motor vehicle excise tax revenue	<u>10,574,396</u>	<u>10,970,339</u>
Total Revenue	84,212,635 ¹	90,669,528 ²
Expenditures:		
Distribution to cities and counties	<u>(84,212,635)</u>	<u>(90,669,528)</u>
Ending Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>

¹ Based on actual fiscal year 2006 sales and use tax collections, and estimated fiscal year 2007 collections. Estimates are based on the April 2007 legislative revenue forecast.

² Based on the April 2007 legislative revenue forecast.

Notes:

North Dakota Century Code 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% of an amount determined by multiplying the quotient of 1%, 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

	2005-2007	2007-2009
Beginning Balance	\$0 ¹¹	\$0
Revenue:		
Fiscal year 1 payments	\$21,414,069	\$35,001,451
Fiscal year 2 payments	<u>22,414,049</u>	<u>35,001,451</u>
Total Revenue	43,828,118 ¹²	70,002,902 ¹³
Transfers:		
Transfer to community health trust fund	(\$4,382,812)	(\$7,000,290)
Transfer to water development trust fund	(19,722,653)	(31,501,306)
Transfer to common schools trust fund	<u>(19,722,653)</u>	<u>(31,501,306)</u>
Total Transfers	<u>(43,828,118)</u>	<u>(70,002,902)</u>
Ending Balance	<u>\$0</u>	<u>\$0</u>

¹¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

¹² Based on actual revenues through June 5, 2007. No additional revenues are anticipated to be received during fiscal year 2007.

¹³ Estimated revenues are based on 95 percent of original North Dakota projected allocations under the master settlement agreement. Actual fiscal year 2006 allocations were 94 percent of original projections and fiscal year 2007 allocations were 98 percent of original estimates.

Notes:

North Dakota Century Code 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 out of the fund must be made within 30 days of receipt of the tobacco settlement monies.

**Tuition Apportionment
Status Statement**

	2005-2007	2007-2009
Beginning Balance	\$1,102,695 ¹¹	\$909,010
Revenue:		
Fines for violation of state laws	\$9,206,315	\$9,400,000
Transfers from common schools	62,200,000	66,800,000
Total Revenue	<u>71,406,315</u> ¹²	<u>76,200,000</u> ¹⁴
Expenditures:		
Tuition apportionment payments	<u>(71,600,000)</u>	<u>(76,200,000)</u>
Ending Balance	<u>\$909,010</u> ¹³	<u>\$909,010</u>

¹¹ Actual July 1, 2005, beginning balance. All other amounts shown are estimates.

¹² Revenue estimates for fines are based on actual fiscal year 2006 fines and estimated revenues for the second year; common schools revenue estimates are based on Land Department projections.

¹³ Proceeds from fines 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.

¹⁴ Fines revenue estimate assumes that collections will continue at the estimated fiscal year 2007 level; common schools revenue estimates are based on Land Department projections.

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 North Dakota Century Code Section 15.1-28-01. For the 2005-2007 biennium, Section 15.1-28-03 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. Section 15.1-28-03 was amended by 2007 SB 2200 to provide that beginning with the 2007-2009 biennium, tuition apportionment payments will be included in state school aid distributions to school districts.

Water Development Trust Fund
Status Statement

	2005-2007	2007-2009
Beginning Balance	\$13,200,239 ¹	\$9,920,609
Revenue:		
Transfers from the tobacco settlement trust	19,722,653 ²	31,501,306
Expenditures:		
Water Commission expenditures	<u>(\$23,002,283)</u>	<u>(\$40,055,999)</u>
Total Expenditures	<u>(23,002,283)</u>	<u>(40,055,999) ³</u>
Ending Balance	<u><u>\$9,920,609</u></u>	<u><u>\$1,365,916</u></u>

¹ Actual July 1, 2005 beginning balance. All other amounts shown are estimates.

² Actual tobacco settlement receipts received through May 2007.

³ The 2007-09 legislative appropriation for the State Water Commission is \$40,055,999.

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 percent to the water development trust fund, 45 percent to the common schools trust fund, and 10 percent 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)

	2005-2007	2007-2009
Beginning Balance - All appropriated funds	\$577.6 ¹¹	\$948.2 ¹¹
Revenues:		
General fund revenues (see schedule pg 4)	\$2,241.4	\$2,257.3
Other fund revenues (appropriated funds only)	<u>3,647.3</u>	<u>3,981.5</u>
Total Revenue	5,888.7 ¹²	6,238.8 ¹²
Expenditures and transfers:		
Appropriated general fund expenditures and transfers	(\$1,990.5)	(\$2,457.0)
Appropriated other fund expenditures and transfers	<u>(3,527.6)</u>	<u>(4,020.5)</u>
Total Expenditures and Transfers	<u>(5,518.1) ¹³</u>	<u>(6,477.5) ¹³</u>
Ending Balance - All appropriated funds	<u>\$948.2 ¹¹</u>	<u>\$709.4 ¹¹</u>

¹¹ Beginning and ending balances - The beginning balance reflects the actual general fund balance and actual fund balances for the funds included on this schedule. Special funds statutorily available for appropriation are included on this schedule, those with constitutional provisions restricting their use, such as the foundation aid stabilization fund, are excluded. 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.

¹² Revenues - Revenues are estimates based on unaudited information provided by agencies, in some cases revised by OMB.

¹³ Expenditures - Expenditures reflect legislative appropriations, adjusted for the 2005-2007 biennium to reflect additional authority approved by the Emergency Commission. Legislative appropriations are for the general fund and "other" funds. Other funds include both federal and appropriated special funds.

Notes:

This schedule reflects estimated 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.

GENERAL GOVERNMENT***Office of Management and Budget***

The Office of Management and Budget (OMB) provides a range of services to state agencies including Fiscal Management, Facility Management, Human Resource Management Services, Central Services and Risk Management. Governor Hoeven recommended an appropriation of \$69.0 million of which \$50.0 million was from the general fund. The Legislative Assembly approved a budget of \$113.6 million including \$73.3 million from the general fund.

The Office of Management and Budget appropriation includes more than just agency operations. Items outside of OMB operations are as follows:

- \$10.0 million salary equity pool to be distributed to state employees. The \$10.0 million is \$5.0 million from the general fund and \$5.0 million of other funds authority.
- \$700,000 emergency contingency funding. This is a \$200,000 increase over the previous biennium.
- \$1.5 million unemployment insurance.
- \$581,000 state dues and memberships.
- \$53,000 to Boys and Girls Clubwork.
- \$2.7 million for Prairie Public Broadcasting, which includes a one-time increase of \$686,000 to be used as matching funds for an analog to digital conversion grant.
- \$2.0 million deferred maintenance projects throughout the capitol complex.
- \$1.0 million extraordinary repairs at the Heritage Center.
- \$5.3 million from the permanent oil tax trust fund for loan repayment for Centers of Excellence from the 2005-2007 biennium.

- \$20.0 million appropriation for the Centers of Excellence. Of this amount, \$15.0 million is from the permanent oil tax trust fund and \$5.0 million is borrowing authority from the Bank of North Dakota.
- A contingent appropriation to the Department of Corrections and authority to transfer \$41.0 million from the general fund to the penitentiary land fund.
- \$2.0 million transfer from the general fund to the workforce enhancement fund as a continuing appropriation to the Department of Commerce.

Information Technology

The Information Technology Department's mission is to provide leadership and knowledge to assist agencies, political subdivisions and schools in achieving their mission through the innovative use of information technology. The Governor recommended and the Legislature approved a total appropriation of \$124.7 million, of which \$11.7 million is from the general fund. The majority of the funding for the Department is special funds derived from services to agencies.

The 2007-2009 appropriation includes the following:

- Additional FTE for development, implementation and support of the Department of Human Services Medicaid Management Information System (MMIS) rewrite.
- Additional FTE for development and implementation of the Job Service North Dakota Unemployment Insurance Modernization project.
- Additional funding for K-12 video conferencing and classroom transformation grants.
- Additional funding of \$1.15 million for the Criminal Justice Information Sharing (CJIS) System used by law enforcement throughout the state.

Office of Attorney General

The Attorney General is the chief legal counsel and advisor to state government. In addition to fiscal, technology and general administration, the Attorney General's budget includes the divisions of Legal Services, Bureau of Criminal Investigation, Consumer Protection and Antitrust, Crime Laboratory, Fire Marshal, Gaming and Lottery.

The Governor's recommended budget for the Office of Attorney General was \$41.2 million with \$22.9 from the general fund. The Legislative Assembly approved a total budget of \$45.3 million with \$24.4 from the general fund. The Legislature increased employee positions from the Governor's recommendation of 181.30 to 188.50.

The 2007-2009 appropriation included the following:

- \$1.4 million from the general fund for a new crime lab building to be located near the existing south location. The general fund appropriation is \$200,000 more than the executive recommendation. The total funds authorized for the Crime Lab building thus far are \$5.3 million. It includes \$3.6 million from 2005-2007 bond proceeds; \$1.2 million from the general fund included in the 2007-2009 executive recommendation; and \$400,000 added by the legislature, of which \$200,000 is from the general fund and the remaining from federal or special funds.
- A total increase of \$872,000 from the general fund, representing a \$200,000 increase from the executive recommendation, to address salary inequities most specifically in the Crime Lab, Bureau of Criminal Investigation and Legal Division.

- One additional employee and \$175,000 from the general fund to conduct computerized forensic investigation. (SB 2382)
- An additional \$1.2 million, of which \$478,000 is from the general fund, and 5.00 new employee positions, for expanded background check requirements. (SB 2260)
- \$845,000 of Lottery collections replaces federal Byrne funds granted to multijurisdictional drug task forces. The Lottery collections are normally a part of general fund revenues. (HB 1330)
- \$500,000 from the insurance regulatory trust fund for reimbursing health care facilities for conducting acute forensic medical examinations for victims of criminal sexual conduct. (SB 2103)

Office of State Tax Commissioner

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

The 2007-2009 appropriation included the following:

- The Homestead Tax Credit program was increased by \$3,604,000 for a total of \$8,104,000. An additional 7,837 homeowners, for a total of 11,351, and an additional 1,772 renters, for a total of 3,045, are estimated to benefit from the increased appropriation. (SB 2032)
- \$1.1 million in special funds from unexpended integrated tax system loan funds to administer the tax relief package that will provide an income tax credit

based on 10 percent of local property taxes paid by homeowners, farmers, ranchers and commercial businesses and eliminate the marriage tax penalty for middle class couples.

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 \$69.5 million, of which \$67.3 million was from the general fund, representing an increase of \$11.1 million. The Legislative Assembly approved a total budget of \$69.1 million, with \$66.9 million from the general fund.

A notable change in the judicial budget was the approval and funding of a pilot mediation project for \$1.1 million. This project is being developed to mediate custody and visitation disputes in divorce cases. The program will be piloted in two sites. The intention is to send cases involving children to a mediation session to educate parents about the types of issues that will arise over the years and to come to an agreement in advance about how these things will be handled. The goal is two-fold: to assist parents in achieving a mutually satisfying decision about custody and visitation; and to increase compliance with court orders regarding these issues. It is likely that parties will be more inclined to follow custody and visitation agreements

and will be more likely to seek a collaborative solution to future issues if they have been through the mediation process.

Public Employees Retirement System

The Public Employees Retirement System is the administrator of several employee benefit plans for state employees and participating political subdivisions. The plans include:

- Defined Benefit Retirement Plan
- Defined Contribution Retirement Plan
- Deferred Compensation Program
- Retiree Health Insurance Credit Program
- Group Health Insurance
- Group Life Insurance
- Employee Assistance
- Pretax Benefits Program (Flex Comp)

The agency appropriation is all special funds in the amount of \$15.2 million. Included in the 2007-2009 appropriation is \$10.0 million funding for the Legacy Application System Replacement, which is used for all benefit plans. The timing of this rewrite is critical due to the state's mainframe migration project and the fact that the current system is becoming obsolete.

EDUCATION***Higher Education*****North Dakota University System (NDUS)**

Entities included in the university system are the North Dakota University System Office, eleven campuses, UND School of Medicine and Health Sciences, and the Forest Service.

The total state general fund appropriation for 2007-2009 is \$471.6 million. In addition, \$8.5 million is provided from the permanent oil trust tax fund for the following one-time projects:

- \$2.8 million – Northern Tier Network project
- \$4.1 million – Steamline projects at North Dakota State College of Science, Valley City State University and Minot State University-Bottineau
- \$0.9 million – Service oil rig program at Williston State College
- \$0.7 million – Tribal Community College grants (HB 1395)

General fund dollars of \$468.4 million are provided in HB 1003; \$3.0 million in HB 1019 for workforce training grants through the Department of Career and Technical Education; and \$200,000 in SB 2379 for a nursing program simulation laboratory program. The appropriation represents an increase of \$81.8 million, or 21% above the 2005-2007 adjusted appropriation. Those increases are reflected in the following areas:

Campus Operations and Maintenance

- A total general fund increase of \$44.9 million for campus operations, which includes \$32.9 million for

parity, \$10.0 million for equity and \$1.95 million as follows:

- \$750,000 for increased operating - \$100,000 at North Dakota State College of Science; \$250,000 at Mayville State University; and \$400,000 at Valley City State University.
 - \$700,000 for a bacteriology/immunology program at UND School of Medicine & Health Sciences.
 - \$150,000 one-time money for start up costs for Theodore Roosevelt Center at Dickinson State University.
 - \$350,000 of one-time dollars for a nanoscience technology training program at North Dakota State College of Science.
- \$17.5 million, a \$10.9 million increase, for extraordinary repairs and deferred maintenance for the 11 campuses. This amount includes \$750,000 specifically for Mayville State University included in the University System Office budget.

Student Financial Assistance Grants

- \$5.9 million total appropriation, of which \$164,000 is federal funds.
- \$2.2 million increase, representing a 59.5% increase over the 2005-2007 adjusted appropriation.
- Funded approximately 3,900 awards of \$800 each compared to 3,117 at \$600 each for 2005-2007.

Scholars Program

- \$1.5 million total appropriation from the general fund to target the best and brightest high school graduates to remain in the state to pursue their postsecondary degree.

- \$563,110 increase in funding, or 61.5%, that will result in increasing the number of participants in the program.
- The amount of \$250,785 will increase the number of new freshmen awards from 35 to 50; \$200,000 for a new one-time annual stipend of \$2,000 for incoming freshmen, and \$112,325 to continue funding all upper classmen.

ND Indian Scholarship Program

- \$380,626 total appropriation from the general fund for scholarships based on merit and need, representing an increase of \$127,000, or 50.1% increase.
- Funded approximately 270 grants per year at \$700, which is 90 more than were funded in 2005-2006.

Professional Student Exchange Program (PSEP)

- \$2.7 million total appropriation including \$2.2 million from the general fund and \$523,380 from the student loan trust program.
- \$224,895 increase from the general fund, or 11.4%, to fund existing students. It is anticipated the same number of new student slots as the current biennium: 6 veterinary medicine, 8 dentistry, and 4 optometry will be funded.
- \$100,000 to implement a new loan forgiveness program in veterinary medicine similar to the dentistry program (HB 1125).
- Student loan trust fund dollars will be used to continue funding for the 4 students currently enrolled in the veterinary medicine program at Kansas State University and to add 5 additional freshmen for each year of the 2007-2009 biennium.

Education Incentive Program

- A total appropriation of \$1.7 million from the general fund.
- The Doctoral Graduate Program will increase from \$60,000 to \$260,000, which is allocated equally to the University of North Dakota and North Dakota State University.
- Funds are provided to continue loan forgiveness (\$1,000 per year up to 3 years) for currently funded individuals, as well as funding new \$1,000 per year awards for 158 individuals in the Teacher Shortage Loan Forgiveness Program and 99 in the Technology Occupations Loan Forgiveness Program.

System Grant Programs

- \$5.6 million total appropriation for EPSCoR, a \$460,000 increase, to match an estimated \$15.4 million in federal and private funds to maximize anticipated matching potential.
- \$695,000 appropriation of Title II federal funds, no change from the present level, to provide services to elementary and secondary teachers to improve the teaching-learning process in mathematics and science.
- Reduced funding by \$250,000, to provide a total of \$1.1 million from the general fund, for medical malpractice coverage premiums and continued coverage for student internship programs.
- \$31.5 million total appropriation for Common Information Services of which \$28.7 million is from the general fund and \$2.8 million from the permanent oil tax trust fund. The appropriation represents a general fund increase of \$8.1 million in base and one-time funding for the chief information officer, IVN, Connect ND, ODIN, HECN and NDUS Online.

- Connect ND received an increase of \$3.7 million base funding and \$2.3 million one-time funding from the permanent oil tax trust fund.

Board Initiatives

- Reduced funding by \$1.4 million, to \$398,500, of which \$300,000 is designated to the ND Space Grant Consortium at UND and \$98,500 for a recruiting initiative at Minot State University-Bottineau.

Capital Bond Payments

- Authorized \$15.7 million from the general fund and \$1 million from other funds for 2007-2009 capital construction bond payments.

Forest Service

- \$3.5 million total appropriation, of which \$2.5 million is from the general fund and \$1.0 million from special funds.
- An increase of \$548,263, or 27.6%, includes \$120,000 for capital projects and \$428,263 for salary and other operating increases (including \$150,000 to replace federal funds that have been reduced).

Elementary, Secondary, and Other Education**Department of Public Instruction**

Governor Hoeven's recommendation for elementary and secondary education was adopted by the 2007 legislature with few changes. The Governor's recommendation and the legislative appropriation follow the groundbreaking work of the Governor's Commission on Education Improvement.

The Commission was created by the Governor, by executive order, in January 2006 pursuant to an Agreement to Stay Litigation (Agreement) executed by nine North Dakota school districts. The nine districts filed a complaint in district court requesting that the state's public school finance system be declared unconstitutional. The Agreement allowed the 2007 Legislative Assembly an opportunity to find a resolution to the complaint, based on certain terms and conditions agreed to by the plaintiff districts. The Agreement called for the creation of the Commission on Education Improvement and charged the Commission with responsibility to "examine the current system of delivering and financing public elementary and secondary education" and prepare a "report that provides recommendations on how to improve the current system of delivering and financing public elementary and secondary education."

Pursuant to this charge, the Commission recommended a landmark change in the state's K-12 funding system, as well as a \$60.0 million general fund increase in funding for K-12 education. The executive budget for the 2007-2009 biennium included an additional \$16.0 million from the general fund and an additional \$4.6 million from the state tuition fund to bring the total state funded increase for K-12 education to an historic \$80.6 million. The executive budget provided a total of \$789.7 million for state funded K-12 grants, including the state school aid program and Career and Technical Education grants. The 2007 Legislative Assembly added \$2.8 million for certain initiatives and allowed \$3.6 million of unspent 2005-2007 biennium appropriation authority to be carried over and spent during the 2007-2009 biennium, to provide a total of \$794.1 million for state funded K-12 grants.

In summary, the 2007-2009 biennium appropriation provides the following:

- A new, equitable distribution formula which consolidates the distribution of all funds previously distributed as state school aid, teacher compensation, tuition apportionment, special education average daily membership (ADM) payments, and supplemental revenue payments.
- A comprehensive base payment formula with:
 - Weighting factor adjustments for the number of students served by various programs authorized by state law.
 - Weighting factors based on the number of students in the district.
 - A hold-harmless provision ensuring that the conversion to the new formula in 2007-2008 will result in each school district receiving per student payment rates of no less than 103.5 percent of the 2006-2007 fiscal year rates. For 2008-2009 and each subsequent school year, per student payment rates will be no less than 106.0 percent of the 2006-2007 amounts.
 - Additional weighting factors for isolated schools.
- Equity payments for districts with imputed taxable valuation per student less than 88.5 percent of the statewide average in 2007-2008 and less than 90.0 percent of the statewide average in subsequent years. For the 2007-2008 year, “imputed taxable valuation” is defined as the valuation of all taxable real property, plus an amount determined by dividing 60 percent of the district’s mineral and tuition revenue by the district’s general fund mill levy. Beginning with the 2008-2009 school year, 70 percent of mineral and tuition revenue is used to determine imputed taxable valuation.
- Fiscal incentives to levy no less than 150 mills in 2007-2008 and no less than 155 mills in subsequent years (the 2006-2007 statewide average general fund mill levy is 193 mills).
- State funding of \$5.0 million for full-day kindergarten, beginning with the 2008-2009 school year. The chart on the following page summarizes the major funding changes relating to grants to elementary and secondary schools.

**STATE SCHOOL AID PROGRAM
LEGISLATIVE APPROPRIATIONS AND ESTIMATED DISTRIBUTIONS**

Description	2005-2007 Appropriations and Estimated Distributions ¹	2007-2009 Appropriations and Estimated Distributions ¹	Increase (Decrease) From 2005-2007
State school aid formula payments	\$480,453,759	\$607,565,879 ²	\$127,112,120 ⁶
Supplemental revenue (combined with per student payments)	5,000,000	0 ²	(5,000,000)
Teacher compensation grants (combined with per student payments)	50,912,120	0 ²	(50,912,120)
Tuition apportionment (combined with per student payments)	71,600,000	76,200,000 ²	4,600,000
Special education ADM payments (combined with per student payments) ³	37,000,000	43,000,000 ²	6,000,000
Special education contracts	15,500,000	17,500,000 ³	2,000,000
Career and Technical Education grants	10,517,216	13,317,216	2,800,000
JPA incentives	1,000,000 ⁴	1,000,000 ⁵	0 ⁶
Transportation payments	33,500,000	35,500,000	2,000,000 ⁶
Total - All funds	\$705,483,095	\$794,083,095	\$88,600,000⁷
Less state tuition fund	(71,600,000)	(76,200,000)	(4,600,000)
Total - General fund	\$633,883,095	\$717,883,095	\$84,000,000

¹ Amounts adjusted to reflect the deferred distribution of \$3.6 million appropriated for 2005-2007 that will be distributed during 2007-2009. The following amounts will be carried over for 2007-2009 distribution: per student payments (\$600,000), transportation (\$2,000,000), and JPA incentives (\$1,000,000).

² The total amount appropriated for state school aid per student formula payments is \$726.8 million.

³ The amount shown for special education ADM payments includes the continuation of \$400,000 for gifted and talented programs.

⁴ In addition to the appropriation for 2005-2007, \$1 million is anticipated from contingent distributions at the end of the 2005-2007 biennium, to be distributed during the 2005-07 biennium.

⁵ The executive budget proposed a \$2.0 million appropriation for 2007-2009, which was replaced with a \$1.0 million distribution from 2005-2007 appropriations, to be distributed during the 2007-2009 biennium. The executive budget also included a \$1.0 million contingent distribution at the end of the 2007-2009 biennium. This was replaced by the legislature with a \$2.0 million contingent distribution. The 2007-2009 total remains at \$3.0 million, as recommended in the executive budget, if all 2007-2009 contingent distributions become available.

⁶ The 2007 legislature directed that certain funds appropriated for 2005-2007 distribution be carried over to 2007-2009. These carryover distributions total \$3.6 million and include \$2.0 million for transportation, \$600,000 for per student payments, and \$1.0 million for JPA incentives.

⁷ The total increase in K-12 funding is \$88.6 million, including a \$4.6 million increase in tuition apportionment funds.

State Library

The State Library provides statewide leadership to public and school libraries, comprehensive informational resources, training, cataloging of state documents, support for the development of the statewide online library catalog, facilitation of interlibrary loans, and coordination of online library resources. The Governor recommended and the legislature approved a \$5.9 million appropriation for the State Library for the 2007-2009 biennium. Of the total appropriation, \$4.0 million is from the general fund. The Legislative Assembly supported Governor Hoeven's recommendation to include a \$200,000 increase for the State Aid to Public Libraries program administered by the State Library. The State Aid to Public Libraries program distributes state grants to public libraries based on the city or county population and the county land area in which the library is located. Although costs have increased substantially for library materials and operating expenses in the past 20 years, state aid to public libraries funding has declined over that time. The 2007-2009 appropriation includes \$1.2 million for this program, the first time since the 1987-1989 biennium that the appropriation has exceeded \$1.0 million.

Department of Career and Technical Education

The Department of Career and Technical Education (CTE) provides leadership, technical assistance, and fiscal support for career and technical education programs in public school districts, state colleges and universities, state institutions, and tribal colleges. The Governor recommended a total funds budget of \$30.3 million, \$19.3 million from the general fund. The legislature approved a budget of \$32.8 million, \$21.8 million from the general fund.

Governor Hoeven's budget for CTE included the amounts recommended by the Commission on Education Improvement - an increase of \$2.0 million to increase cost-share incentives and to establish at least two new area career and technology centers. The Legislative Assembly adopted this recommendation and added an additional \$800,000 — \$300,000 to allow for inflationary increases in reimbursable costs and \$500,000 for increased grants, half of which must be used to support the elementary student entrepreneurship program.

The legislature supported the Governor's recommendation to use two existing, unfilled CTE positions for the career resource network, a program previously funded through Job Service North Dakota. The positions will be funded from the general fund at a biennial cost of approximately \$210,000 and will provide professional development, information, and training to career guidance counselors employed by school districts throughout the state.

The legislature approved the agencies request to increase workforce training grants to higher education by \$1.7 million, to provide a total of \$3.0 million for 2007-2009.

HEALTH AND HUMAN SERVICES***Department of Health***

The mission of The Department of Health is to protect and enhance the health and safety of all North Dakotans and the environment in which we live.

The Governor recommended a budget of \$155.0 million total funds of which \$18.1 million was from the general fund. The Legislative Assembly approved an appropriation of \$172.0 million including \$21.5 million from the general fund.

Included in the 2007-2009 appropriation are the following:

- \$2.3 million from the general fund for a pandemic flu antiviral stockpile to reduce the severity of a flu outbreak.
- \$21.6 million, including \$2.2 million from the general fund and 2.00 FTE, to manage a Provider Choice program. Provider Choice allows the state to purchase large quantities of vaccines at a discounted price, to be distributed through health care providers who will reimburse the state for the cost.
- \$1.25 million from the insurance tax distribution fund for payments to Emergency Medical Services Providers.
- An increase of \$500,000 from the general fund for domestic violence, bringing the total funding to \$710,000.
- \$200,000 for colorectal cancer screening, \$50,000 is from the general fund.
- \$800,000 increased funding to local public health units for a total of \$1.9 million.

Veterans' Home

The North Dakota Veterans Home provides skilled and basic nursing care for North Dakota veterans and their spouses. State Fire Marshal and Health Department inspections of the current facility resulted in identifying several life safety code issues. In order to continue to provide the best possible care for North Dakota residents who have provided service to this country, Governor Hoeven supported and the Legislature approved funding to rebuild the Veterans Home. Total funding of \$21.1 million was appropriated, consisting of \$6.5 million from the general fund, \$2.6 million bonding authority and federal matching funds of \$12.0 million for a new 150-bed facility. Additionally, the Veterans Home was appropriated \$12.9 million for general operations which includes \$4.1 million from the general fund.

Department of Veterans' Affairs

The North Dakota Department of Veterans' Affairs is responsible for informing veterans of the benefits to which they are entitled as well as assisting them in receiving those benefits. In order to provide additional support, the Department received an additional FTE for a Women Veterans' Coordinator. The Department's appropriation is \$866,772 from the general fund.

Department of Human Services

The Department of Human Services serves state residents through direct services, programs administered through counties, and through private providers under contract with the state. The legislature approved a \$99.8 million general fund

increase to the Department of Human Services budget. Included in this budget is an inflationary increase for providers of 4% in the first year and 5% in the second year of the 2007-2009 biennium. The total budget of \$1.86 billion includes funding for the following programs:

Aging Services

- Includes \$20,000 dedicated to support the work of the Governor's Committee on Aging.
- Increases state funds for providers to a total of \$1.0 million to support home-delivered meals, outreach services and health maintenance services provided to senior citizens and younger adults with physical disabilities.

Children and Family Services

- Includes an increase of \$296,773 for out-of-home placement of seriously emotionally disturbed children for total funding of \$683,440.
- Provides a \$150,000 increase for the recruitment and retention of family foster homes.
- Provides an additional \$100 for each payment for in-county child abuse and neglect assessments.
- Increases funding for the Healthy Families program in Grand Forks by \$300,000 to prevent child abuse and neglect.

Disability Services

- Includes additional funding for Corporate Guardianship to fund 20 new community openings and 15 additional openings for new referrals.
- Includes an additional 60 cents per day funding for disability service providers, bringing the total to \$4.80 per day plus the additional inflationary increase for all providers.

- To assist people with disabilities to live more independently funding was increased for IPAT (the Interagency Program for Assistive Technology) by \$500,000 and Centers for Independent Living by \$250,000.

Economic Assistance Policy

- Provides full funding for the Indian county allocation, which is an increase of \$425,026.

Information Technology Services

- Includes funding for a new Medicaid Management Information System (MMIS), used to manage the program, process claims and monitor utilization. Funding is 90 percent federal and 10 percent general fund.

Long Term Care

- Continues to provide funding for the current eligibility criteria for Service Payments for the Elderly and Disabled (SPED) program. The SPED program pays for in-home services that help people who are frail, elderly or disabled to remain living in their homes.
- Increases fees to Qualified Service Providers (QSPs) who provide home and community-based care.
- Adds four services to the Medicaid Waiver for Home and Community-Based Care:
 - Home delivered meals for people with physical disabilities.
 - Family home care for spouses to care for Medicaid clients with extraordinary care needs who choose to live at home.
 - Nurse delegated care for caregivers who are trained and supervised by nurses to administer medication and provide other medical services.

- Increases funding for adult family foster respite care providers.
- Provides funding for home and community-based services at the anticipated participation levels.
- Includes funding for developmental disability (DD) grants and authority to borrow from the Bank of North Dakota in the event the funding is insufficient to meet the caseload and utilization needs.
- Includes a \$0.60 per hour increase for employees of developmental disability services providers.

Medical Services

- Moves Children Special Health Services (CSHS) to the Department of Health.
- Funds the Medicare Part D clawback payment which is a \$3.3 million increase due to payment for 24 months in 2007-2009 vs. 18 months in 2005-2007. The “clawback” is the amount ND pays to the federal government for providing prescription drug payments for people who qualify for both Medicare and Medicaid (dual eligibles).

Mental Health and Substance Abuse

- Provides \$634,000 for methamphetamine addiction treatment at the Robinson Recover Center and \$700,000 for additional treatment.
- Provides \$2.77 million in general funds for a community treatment program of up to 140 sex offenders.
- Includes funding to implement child health coverage policy changes, moving the qualifying income for Children’s Health Insurance Program from 140 percent of poverty to 150 percent and expands the Medicaid eligibility for children to 133 percent of poverty.
- Adds continuous eligibility of up to 12 months for children who qualify for Medicaid.

Human Service Centers

- Provides funding for treatment services to adult and juvenile drug courts.
- Adds funding for more crisis beds in the Fargo region for serious mental illness and chronic substance abuse disorders.
- Provides more residential beds for the seriously mentally ill in the Grand Forks region.
- Enhances adolescent substance abuse treatment in the Bismarck region.

Institutions

- Provides \$1.1 million to transition six or seven Developmental Center residents to community settings.
- Includes \$4.1 million to expand the State Hospital’s Secure Services Unit for civilly committed sex offenders from 42 to 82 beds.
- Provides funding for necessary security upgrades of facilities and additional security staff.
- Provides \$3.4 million in funding for deferred maintenance at the State Hospital and the Developmental Center.

REGULATORY***Industrial Commission***

The Industrial Commission budget is comprised of three divisions including the administrative office, the Public Finance Authority, and the Department of Mineral Resources, which consists of the Oil and Gas and Geological Survey divisions. The Industrial Commission budget also includes the North Dakota Transmission Authority and provides funds for lignite research, marketing, transmission and environmental studies. Effective April 10, 2007, as proposed by the Industrial Commission and authorized by the Legislative Assembly, a new North Dakota Pipeline Authority was statutorily added to the Industrial Commission for planning, constructing, owning, financing, maintaining, operating and disposing of pipeline facilities within North Dakota. Effective August 1, 2007, a renewable energy development fund was statutorily added to the Industrial Commission responsibilities with a \$3.0 million general fund appropriation to provide grants, loans, or other financial assistance for funding research, development, marketing and educational projects or activities to foster development of renewable energy.

The executive recommendation for the Industrial Commission was \$58.9 million, of which \$8.8 million was from the general fund. The Legislative Assembly approved this budget with one addition – a \$285,000 contingent appropriation from the land and minerals trust fund and 2.0 additional FTE – which were provided in anticipation of increased oil and gas production within the state. Authorization will be triggered if the average drilling rig count exceeds 45 active rigs for any consecutive three-month period during the biennium.

As recommended by the Governor and approved by the Legislative Assembly, no new general fund bonding projects are included within the 2007–2009 state budget. Authority for the \$29.5 million of payments due on existing bond issuances is included within the Industrial Commission appropriation.

Special, one-time appropriations contained in the Executive Recommendation and approved by the Legislative Assembly include a \$250,000 transfer from the general fund to the fossil restoration fund and \$230,000 for repair of the Core and Sample Library.

North Dakota Housing Finance Agency

The Governor recommended and the Legislative Assembly authorized up to \$6.0 million in special funds for two new housing finance loan programs: Community Housing Development Assistance and Housing Rehabilitation and Revitalization.

Bank of North Dakota

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

The Governor's recommended budget for the BND and its related economic development programs was \$48.2 million, of which \$10.1 million was from the general fund, \$37.2 million was from bank profits and \$950,000 was from the beginning farmer revolving loan fund. The total legislative appropriation

for BND and its related programs is \$51.7 million, of which \$13.6 million are general fund dollars.

General fund loan programs authorized by the Legislative Assembly include:

- Partnership in Assisting Community Expansion (PACE) was increased to \$8.0 million.
- \$4.2 million for a new Biofuels PACE fund which will be used to buy down the interest rates on loans for construction of biodiesel or ethanol production facilities and related livestock operations.
- \$1.4 million for the Agriculture PACE program that had been funded with beginning farmer revolving loan funds for the 2005-2007 biennium.

Four other bills tapped into BND's loan funds for the upcoming biennium:

- SB 2008 provides a contingent transfer of \$800,000 from the beginning farmer revolving loan fund to the Public Service Commission to assist with funding the rail rate complaint case.
- HB 1135 authorizes \$1.0 million from the beginning farmer revolving loan fund to the Agriculture Department for the ENVEST loan program.
- HB 1515 allows for a transfer of \$1.0 million from the beginning farmer revolving loan fund and \$1.0 million from the Biofuels PACE fund to the Industrial Commission for the biomass incentive and research fund.
- HB 1018 enables the commissioner of commerce to request a transfer of up to \$1.0 million from the PACE fund to the North Dakota development fund.

The Legislative Assembly provided BND with the authority to sell the current BND property and required BND to retain any unused property near the new BND building.

As proposed by the Governor and approved by the Legislative Assembly, 2007–2009 transfers to the general fund will total \$60.0 million from BND profits and \$3.1 million from investment earnings in the North Dakota student loan trust. In addition, \$523,380 will be transferred from investment earnings in the North Dakota student loan trust for continuing the Kansas State University veterinary medicine program.

State Mill and Elevator

The State Mill and Elevator, located in Grand Forks, North Dakota, is now the largest single-site wheat flour mill and 8th largest wheat milling company in the United States. The Legislative Assembly adopted the Governor's proposed budget of \$36.8 million and authorized the transfer of \$5 million from the Mill profits to the general fund in the 2007-2009 biennium.

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 Governor recommended a total budget of \$12.9 million for the PSC of which \$4.9 was from the general fund and \$8.0 million from federal and special funds. There is little difference

in the overall total budget as approved by the legislature; however, a number of program changes were made as follows:

- The State Metrology Laboratory received an additional \$64,600 from the general fund to continue to operate in the current location. Additionally, the lab received \$30,000 for operations that was included in the executive recommendation to purchase metrology services from the Minnesota National Institute of Standards and Technology. Legislative language was also added requiring the PSC and Facility Management to develop a plan for the joint use of the current metrology lab location and a plan for the future of the metrology lab.
- A weights and measures inspector position and \$121,827 from the general fund included in the executive recommendation was removed from the budget. However, \$30,484 was added for the purchase of a prover to be used to test high flow retail dispensers.
- The \$900,000 contingency line item recommended by the Governor to address legal issues on rail rates and services was amended to address only rail rate cases. The source of funds remains the same with \$800,000 from the beginning farmer revolving loan fund and \$100,000 from other sources.

PUBLIC SAFETY***Highway Patrol***

In addition to providing security for the State Capitol and the Legislative Assembly, the Highway Patrol is responsible for law enforcement efforts relating to the safety and protection of the motoring public. This involves traffic safety enforcement, drug interdiction efforts, and ensuring the security of our international border. To assist the agency in meeting these responsibilities, two additional trooper positions were authorized by the Legislative Assembly, four less than the number of additional troopers recommended by the Governor. The Governor recommended a budget of \$39.4 million; the legislature appropriated \$39.1 million for the 2007-2009 biennium. The Legislative Assembly adjusted the agency's funding sources to increase general fund authority by \$4.0 million, with a corresponding decrease in state special funds.

The Governor's recommendation and the legislative appropriation for the Highway Patrol include additional FTE to enhance the security of the State Capitol and the safety of the state's citizens. Three temporary capitol security positions are converted to permanent status. Also related to the State Capitol building, \$50,000 is provided to allow the integration of the building's security and mechanical automation systems.

The 2007-2009 appropriation also includes \$642,000 for one-time expenses relating to the replacement of out-dated in-car video systems with digital recorders, as recommended by the Governor.

Office of the Adjutant General

As directed by the 2005 Legislative Assembly, the North Dakota National Guard and the Department of Emergency Services merged into a single agency under the direction of the Adjutant General. The agency consists of two divisions, each serving critical missions. The first division, the North Dakota National Guard, is a community-based defense force made up of citizens, trained and available to protect the vital interests of our state and nation. The second division, the Department of Emergency Services, provides the organizational base for emergency response operations for the state including Homeland Security, State Radio, and the 53 local and four tribal emergency management organizations.

The Governor recommended a budget of \$143.4 million for 2007-2009, with \$21.7 million coming from the general fund and the remaining \$121.7 million from federal and special funds. This represented an overall decrease of 6.1% from the 2005-2007 budget and was due almost entirely to a reduction in federal funds. The Legislative Assembly increased the general fund appropriation by \$100,000, for a total 2007-2009 appropriation of \$143.5 million. Significant general fund program changes included within the Governor's budget and approved by the Legislative Assembly were as follows:

- Authorization to carryover unexpended general fund Veteran's Bonus grant funds for similar bonuses in the 2007-2009 biennium.
- \$2.0 million to maintain the tuition assistance program at the present level.
- \$1.1 million for communication equipment.
- \$980,000 for the computer aided dispatch project.
- 2.00 FTE and \$300,588 for family program counselors to serve National Guard members and their families.

- 2.00 FTE and \$253,206 for a grants officer and a public information officer.
- \$400,000 for recruiting and retention bonuses.
- \$580,000 for increased utility costs and \$625,000 of deferred maintenance at state-supported facilities.

The legislature reduced the amount budgeted by the Governor to pay the special assessments charged against facilities in Fargo from \$470,000 (entire assessment balance) to \$150,000, which represents the installment payments due through 2009. The difference was reallocated to provide \$300,000 to address salary equity issues within the State Radio department and \$120,000 for grants to city-owned armories for maintenance or rental costs.

Significant federal programs approved by both the Governor and Legislative Assembly are as follows:

- 35.00 new, 100 percent federally-funded, FTE for additional security guards.
- Construction of a \$26.3 million "Total Army School System" facility at Camp Grafton with 100 percent federal funds.

Department of Corrections and Rehabilitation

The Department of Corrections and Rehabilitation (DOCR) manages one juvenile and three adult correctional facilities, as well as an array of community-based programs and supervised sanctions for adult and juvenile offenders. The Governor recommended a 2007-2009 budget of \$199.5 million, \$172.7 million from the general fund. The legislature approved a budget of \$154.7 million, \$130.6 million from the general fund.

Governor Hoeven's 2007-2009 recommendation for the DOCR provided for a one-time investment in State Prison

infrastructure through a \$42.0 million prison expansion project. The project would have provided for the replacement of the East Cell House with a new state-of-the-art 125-bed general housing facility, a new 175-bed orientation unit, a new infirmary, a new 92-bed segregation unit, a new guard tower, a new laundry facility, and a new central warehouse. However, the legislature was unable to come to a consensus regarding the proposed building project and elected to study the issue further. Legislative action resulted in the following:

- Creation of a correctional facility review committee consisting of six legislators.
- The correctional facility review committee is charged with addressing the immediate and future needs of the State Penitentiary.
- The committee will contract with a consultant utilizing up to \$250,000 appropriated to the Legislative Council for that purpose.
- The committee is charged with engaging the services of consultants and architects as necessary to develop three correctional facility concepts:
 - The construction of a new facility on the existing State Penitentiary site.
 - The construction of a new correctional facility at a new site.
 - The remodeling of existing State Penitentiary facilities.
- Prior to June 1, 2008, the committee must forward the three concepts, along with a recommendation for one of the concepts to the Emergency Commission.
- If the Emergency Commission authorizes one of the three concepts, the proposal will be submitted to the Budget Section for its consideration.
- If approved by the Budget Section, the DOCR may utilize a contingent appropriation of \$41.0 million

available to fund construction during the 2007-2009 biennium. The \$41.0 million appropriation is from the Penitentiary land fund, which received a transfer of \$41.0 million from the general fund pursuant to action by the 2007 Legislative Assembly.

NOTE: In an opinion issued by the Attorney General (Letter Opinion 2007-L-08 dated June 6, 2007) he stated "it is my opinion that if a court were to rule on this matter, it would determine that subsection 8 of section 10 of House Bill No. 1015, which provides the Budget Section of the Legislative Council authority to approve or reject a plan to construct or remodel state correctional facilities, is unconstitutional as a violation of the separation of powers doctrine."

Even though the rate of growth in the inmate population has slowed in recent years, the department has seen a 25 percent growth during the 5 year period from December 31, 2001 to December 31, 2006. As the number of inmates grows, so does the agency's need for staff to ensure safe and secure facilities. To ensure that the agency can continue to effectively manage its various facilities and programs, as well as to supervise an increasing number of offenders assigned to supervision in community settings, an increase of 34.00 FTE was authorized, as follows:

- 12.00 FTE to convert long-term temporary positions to permanent status.
- 3.00 FTE for new drug court initiatives. The drug court program in Fargo will be expanded and programs will be started in Grand Forks and Minot.
- 5.00 FTE correctional officer III's for the James River Correctional Center (JRCC).
- 1.00 FTE business manager for the JRCC.
- 1.00 FTE treatment director to coordinate agency treatment programs in all divisions.

- 7.00 FTE parole officers to address growing caseloads.
- 0.50 FTE account technician for the central office.
- 1.00 FTE to provide security training to State Hospital staff working with sex offenders.
- 5.00 FTE for field services to reduce caseloads per officer.
- (1.50) FTE removed from adult services for a pilot project authorized for the 2005-2007 biennium, but never implemented due to the unavailability of federal funds.

The state's contract with the Dakota Women's Correctional and Rehabilitation Center in New England is continued at a cost of \$8.0 million. In addition, \$1.6 million is provided to house inmates at county jails across the state and \$1.6 million is provided to contract with the North Central Correctional and Rehabilitation Center in Rugby for residential treatment services. As recommended by the Governor, an additional \$1.5 million is provided to fund new transitional programming, providing necessary placement options for inmates preparing for parole or other release from the Department.

Faith-based programming initiatives, such as the Teen Challenge program, are significantly increased for the 2007-2009 biennium. The Governor's budget included an additional \$150,000 to expand these efforts, a 100 percent increase. The Legislative Assembly added an additional \$200,000 for faith-based initiatives.

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

This office consists of three divisions: Executive Services, Livestock Services, and Plant Services. The Board of Animal Health and 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 others.

The Governor recommended for the Commissioner of Agriculture a total appropriation of \$16.3 million, of which \$5.4 million was from the general fund and \$10.9 million from federal and special funds. The legislature approved a total budget of \$17.2 million with \$5.8 million from the general fund and \$11.4 from special and federal funds. The budget includes funding for the following programs:

Meat Inspection Program

- \$58,130 deficiency appropriation through SB 2023.
- Continued funding of 1.00 inspection employee approved by the Emergency Commission for the 2005-2007 biennium.
- Authorized and funded 3.00 additional meat inspection staff, including a combination inspector/grader position. The Governor recommended 4.00 additional inspector positions.

Board of Animal Health

- Supported the Governor's recommendation for an additional veterinarian funded at a 2 to 1 ratio of general fund monies to Game and Fish funds.
- \$90,836 appropriation from the general fund in SB 2338 for the development of an animal tracking data base, with an emergency clause to allow spending to begin during the 2005-2007 biennium.
- \$211,000 from Game and Fish funds to work with non-traditional livestock.

Wildlife Services

- \$1.1 million total appropriation with the authority to spend \$130,000 during the 2005-2007 biennium.
- Required a performance audit by the State Auditor's Office of all funds and programs involved in the wildlife damage management program.
- Added \$159,000, \$79,500 from the environmental and rangeland protection fund and \$79,500 from the oilseed fund, for blackbird research in accordance with SB 2179.

Dairy Coalition

- \$75,000 of general fund dollars for a grant to the Dairy Coalition.

Endangered Species

- \$250,000 authorized spending from the environmental and rangeland protection fund, and 1.50 FTE, to establish a new endangered species program to respond to potential restrictions on the use of crop protection products in the future.

Department of Commerce

The North Dakota Department of Commerce includes the divisions of Community Services, Economic Development and Finance, Commerce Administration, North Dakota Tourism, and Workforce Development. An international business and trade office exists within the Economic Development and Finance Division. The Community Services Division includes an office of renewable energy and energy efficiency.

The Governor recommended an agency budget for the Department of Commerce of \$81.5 million, of which \$26.2 million was from the general fund, \$45.4 million federal funds and the remaining \$9.9 million from special funds. The legislature approved a total budget of \$82.3 million, of which \$26.6 million is from the general fund and the remaining \$55.8 million from federal and special funds. Overall, the agency received an increase of \$7.4 million of general fund dollars from the 2005-2007 biennium appropriation. The agency also received an additional 4.00 full time employees. The budget includes funding for the following programs:

Economic Development and Finance and Innovation

- Approved by the legislature, and as recommended by the Governor, the North Dakota development fund received \$3.0 million from the general fund to help continue its level of involvement in local economic development projects. The legislature also approved an additional \$1.0 million be made available to the development fund from the partnership in assisting community expansion (PACE) fund if needed.
- The Governor recommended that the Centers of Excellence program would receive \$20 million from the general fund. The legislature appropriated \$15 million from the permanent oil tax trust fund to the Office of

Management and Budget (OMB) to continue the Centers of Excellence. Furthermore, subject to Emergency Commission and Budget Section approval, OMB is authorized to borrow up to \$5 million from the Bank of North Dakota for the Centers of Excellence. The Department will also have access to \$375,000 of the appropriation from the permanent oil tax trust fund to provide the necessary administration of the program.

- Increased the Governor's recommendation for Innovate ND from \$250,000 to \$300,000 of which \$150,000 is from the general fund.

North Dakota Trade Office

- As recommended by the Governor, appropriated \$1.4 million from the general fund to expand activities in the North Dakota Trade Office. The new funding level more than doubles the current level of investment in the program. The legislature approved an additional \$100,000 for interns in the Export Assistants Program. The Trade Office will raise \$1 of matching funds from private or other public sources for each \$2 of funds provided by the department.

North Dakota Division of Tourism

- As recommended by the Governor, \$3.8 million from the general fund was appropriated to replace the 1 percent lodging tax that will sunset on July of 2007.
- The Legislature added \$100,000 from the general fund to provide a grant to the Lewis and Clark Foundation in Washburn. The Foundation is required to provide \$2 of matching funds for each general fund dollar received.

Workforce Development

The division will take on an expanded roll with 3.00 new employees to coordinate a statewide effort to address workforce challenges including increasing the quantity and quality of workforce, transition from a workforce to a talent (skilled) force, and reduce unemployment in areas of the state that are above the state average. Additional changes include:

- HB 1019 authorized a new workforce enhancement fund that will operate as a continuing appropriation administered by the Department of Commerce. The fund will receive \$2.0 million from the general fund to make grants to institutions of higher education to create or enhance training programs that address workforce needs of private sector companies. Grant funding recommendations will be made by a newly created workforce enhancement council that is chaired by the director of the division of Workforce Development.
- Increased the executive recommendation of \$400,000 to \$600,000 from the general fund for Operation Intern to expand higher education internships and work experience opportunities in target industries as an incentive to remain in North Dakota.
- Received \$160,000 to staff a part of the Governor's initiative to connect businesses to students and their parents to encourage students to pursue jobs in target industries in North Dakota.
- \$50,000 is appropriated for a workforce system initiative study by Legislative Council to include at least four focus groups and a Workforce Congress to gather input on the State's workforce needs.

Community Services

In accordance with SB 2187, the legislature appropriated \$200,000 from the general fund for the purpose of funding emergency shelter programs and \$100,000 for the purpose of

providing funding for planning and administrative costs with the federal continuum of care homeless assistance program.

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

The 2007-2009 legislative appropriation for Upper Great Plains Transportation Institute (UGPTI) Northern Crops Institute (NCI), the Extension Service and the Research Centers is \$186.0 million, an increase of 19.4% over the 2005-2007 adjusted appropriation of \$155.8 million. The budget includes a general fund increase of \$19.6 million over the 2005-2007 adjusted general fund appropriation of \$56.7 million, bringing the total general fund dollars to \$76.3 million for 2007-2009.

In addition to funding ongoing operations, the Governor's recommended budget provided \$14.5 million from the general fund and 14.00 FTE to support the top priorities of the State Board for Agriculture Research and Extension. Significant general fund components of the executive budget that were approved by the legislature include:

- \$4.4 million for 4% annual salary increases and health insurance costs
- \$1.14 million for deferred maintenance and equipment/operating pools at the extension service and research stations.
- 3.00 FTE and \$700,000 to focus on bioproducts research and extension projects.
- 7.00 FTE and \$462,800 for research center support staff.
- \$675,000 for scab monitoring and research, as well as NDAWN research.

- \$470,000 and 1.00 FTE for additional pulse improvement projects and research.
- 1.00 FTE and \$138,346 for a technical support specialist and staff development at NCI.
- \$400,000 to complete the Agronomy Lab and Greenhouse project at the North Central Research Station.

Two significant reductions in capital projects were made by the Legislative Assembly:

- Governor Hoeven included \$9.0 million from the general fund for construction of a research greenhouse complex at NDSU. The legislature reduced this funding to \$7.0 million. Another \$7.0 million in spending authority will be carried forward, bringing the total 2007-2009 spending authority to \$14.0 million for the greenhouse project.
- The executive budget included \$1.1 million, but the legislature reduced the amount to \$907,750, for office building addition and renovation projects for the headquarters buildings at the Carrington, Hettinger and North Central Research Extension Centers.

This \$2.2 million in capital project reductions, plus another \$397,544, was reallocated to address the following issues:

- \$448,084 to award average salary increases of 5% in each year of the biennium, which is the same level provided for employees of the North Dakota University System campuses, but higher than the 4% increases included in the Governor’s budget.
- \$1.2 million and 5.00 additional FTE for research grants, and irrigation, waste management and horticulture projects.
- \$520,000 and 1.00 new FTE for 4-H youth development, the rural leadership program, parenting resource centers, and the junior master gardner program.
- \$300,000 to construct a storage building at the North Central Research Experiment Center.
- \$100,000 in soil conservation grants and \$7,800 for the Soil Conversation’s Smithsonian soils exhibit.
- \$80,000 to design a beef research facility at the Main Station.
- \$25,000 to address extraordinary repairs at the NCI offices.

	2005-2007	2007-2009	2007-2009	Percent of Change from	
	Adjusted	Executive	Legislative	2005-2007	Executive
	Appropriation	Recommendation	Appropriation		Recommendation
UGPTI	\$ 16,502,637	\$ 27,479,547	\$ 27,571,521	67.1%	0.3%
Branch Research Centers	\$ 21,589,676	\$ 24,374,515	\$ 25,017,019	15.9%	2.6%
NDSU Extension Service	\$ 38,474,196	\$ 41,322,455	\$ 42,265,835	9.9%	2.3%
Northern Crops Institute	\$ 1,902,683	\$ 2,598,111	\$ 2,622,969	37.9%	1.0%
Main Research Center	\$ 76,106,713	\$ 86,698,779	\$ 87,336,348	14.8%	0.7%
Agronomy Seed Farm	\$ 1,201,008	\$ 1,230,346	\$ 1,230,162	2.4%	0.0%
TOTAL	\$ 155,776,913	\$ 183,703,753	\$ 186,043,854	19.4%	1.3%
General	\$ 56,690,346	\$ 75,894,813	\$ 76,292,357	34.6%	0.5%
Federal	\$ 23,988,458	\$ 33,277,396	\$ 33,277,396	38.7%	0.0%
Special	\$ 75,098,109	\$ 74,531,544	\$ 76,474,101	1.8%	2.6%
TOTAL	\$ 155,776,913	\$ 183,703,753	\$ 186,043,854	19.4%	1.3%
Full Time Equivalents	749.40	758.80	764.80	15.40	6.00

North Dakota State Fair

The Governor recommended an appropriation of \$10.0 million for construction of a new grandstand on the fairgrounds (\$5.0 million from the general fund and \$5.0 million special funds). The Legislative Assembly did not approve this project. Rather, a \$250,000 general fund appropriation was provided for start-up costs for a possible future grandstand project. Funds will be utilized to develop business and fundraising plans, as well as more detailed construction plans. Additionally, \$265,000 was appropriated for repair of the asphalt surfaces on the fairgrounds.

NATURAL RESOURCES / TRANSPORTATION

Historical Society

The mission of the Historical Society is to preserve and interpret North Dakota's history. This is a capital intensive endeavor requiring the construction and maintenance of interpretive centers, the climate controlled storage of artifacts and documents, and the maintenance and repair of historically significant structures.

The Governor recommended a total budget of \$13.0 million, \$9.9 million from the general fund. The legislature increased the agency's budget to \$15.5 million, \$10.2 million from the general fund. For the 2007-2009 biennium, the Historical Society has been provided \$3.3 million for capital assets, including the following:

- \$900,000 (\$700,000 from the general fund, \$200,000 from federal funds) for completion of the Fort Abercrombie visitors' center (phase I of the project was authorized by the 2005 Legislative Assembly).

- \$150,000 from the general fund for completion of the Chateau de Mores interpretive center, originally authorized by the 2005 Legislative Assembly.
- \$700,000 (\$250,000 from the lands and minerals trust fund, \$250,000 from federal funds, and \$200,000 from other funds obtained through fundraising) for the acquisition of two cold war missile sites.
- \$958,819 (\$588,819 from the general fund, \$370,000 from federal funds) for repairs of state historic buildings and sites.
- \$220,000 from the general fund for the development of interpretive exhibits at the Heritage Center.
- \$331,762 (\$298,429 from the general fund, and \$33,333 from other funds) for the repayment of outstanding bonds issued for the archives and Chateau de Mores interpretive center projects.

In addition, \$1.5 million from the lands and minerals trust fund was appropriated to the Office of Management and Budget for planning and design costs relating to the proposed Heritage Center expansion. The appropriation is contingent upon the Historical Society certifying to OMB that at least \$1.5 million of other funds has been received or pledged for the project.

The interpretation and preservation of the state's heritage is only possible through the efforts of qualified staff, both temporary seasonal staff and permanent FTE positions. As private sector wages increase, the agency finds it increasingly difficult to hire and retain seasonal temporary staff, which is critical for the operation of the state's historic sites. To address this issue, the legislature approved the Governor's recommendation to increase temporary seasonal salaries 50 cents per hour each year of the biennium. In addition, the legislature approved the Governor's recommendation to add

3.00 new FTE positions: a historian/exhibit planner, an assistant collections curator, and a GIS technician.

Additional amounts authorized in the 2007-2009 appropriation include:

\$50,000 for the state's participation in the Lincoln Bicentennial Commemoration.

- \$50,000 added to the cultural heritage grant program, increasing the program from \$325,000 to \$375,000.
- \$75,000 for new marketing initiatives.

Council on the Arts

The mission of the Council on the Arts is to encourage the study and presentation of the performing and fine arts and to encourage public interest in the cultural heritage of our state. To assist the agency in fulfilling this mission, the Legislative Assembly approved the executive budget with little change, providing a budget of \$2.5 million, \$1.2 million from the general fund. The legislature approved \$50,000 for new grant initiatives. An additional \$10,000 is provided to fund arts and cultural initiatives relating to the state's participation in the Lincoln Bicentennial Commemoration.

Game and Fish Department

The Game and Fish Department manages publicly owned wildlife resources for the State of North Dakota. The legislature added nearly \$3.0 million to the legislative recommendation, to provide a 2007-2009 budget of \$57.8 million, funded from federal and special funds.

A key initiative of the department has been the expansion of public hunting access to private land. Governor Hoeven's budget continued the department's focus on this initiative and

authorized an additional \$2.0 million for the 2007-2009 biennium to ensure the department would be able to meet its goal of providing public access to one million acres by 2008. The Legislative Assembly increased this amount by an additional \$500,000.

As recommended, three new FTE positions are authorized: a game warden investigator, a fisheries technician, and a bighorn sheep biologist.

Declining water levels on Lake Sakakawea pose significant challenges to the department as it strives to maintain boating access on the lake. The department's 2005-2007 biennium budget included nearly \$500,000 to address Lake Sakakawea boating access issues, while the 2007-2009 biennium appropriation includes over \$1.0 million. In addition, \$1.3 million is provided as a grant to the Water Commission to address critical repairs at Sweet Briar Dam, an important fishery in central North Dakota.

New initiatives in the 2007-2009 biennium approved by the legislature include \$100,000 for grants to local communities to encourage youth hunting and \$30,000 to fund a department study of hunter recruitment and retention.

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 Governor recommended a budget of \$27.3 million, \$14.1 million from the general fund. The legislature approved a budget of \$28.0 million, \$14.5 million from the general fund. To

preserve and improve the state's park system, one-time investments are authorized for buildings and infrastructure, repairs, and new equipment. The 2007-2009 budget provides \$5.6 million for capital assets expenditures in state parks:

- \$3.5 million for capital projects:
 - \$691,915 (\$407,916 from the general fund, \$283,999 from special funds) for road repairs.
 - \$474,500 (\$362,500 from the general fund, \$112,000 from special funds) for expansion of the Icelandic State Park visitors' center.
 - \$233,000 (\$125,000 from the general fund, \$108,000 from special funds) for replacement of the Lake Metigoshe State Park maintenance shop.
 - \$255,000 from the general fund for campground rewiring at Lake Sakakawea State Park.
 - \$200,000 from the general fund for campground water and electrical service improvements at Turtle River State Park.
 - \$320,000 from the general fund for campground improvements at Fort Stevenson State Park.
 - \$160,500 from the general fund for development of a trailhead and trails in the Pembina Gorge.
- \$950,000 from the general fund for extraordinary repairs at various parks.
- \$1.2 million (\$950,000 from the general fund, \$217,500 from other funds) for major equipment purchases.

The Parks and Recreation Department serves as the fiscal agent for the distribution of state grants to the International Peace Garden. General fund grants to the International Peace Garden include:

- \$933,000 for infrastructure upgrades and deferred maintenance.

- \$1.5 million for construction of a year-round interpretive center.
- \$200,000 for construction of a Music Camp Arts Center at the International Peace Garden, contingent upon being matched with \$200,000 of other funds.
- \$736,854 for general operations grants, an increase of over 100.0 percent.

To meet public demands for improved reservation capabilities, \$160,000 from the general fund is provided for the development of an online reservation system.

As recommended, a new FTE, along with related operating expenses, is authorized to manage a year-round trail system in the Pembina Gorge. Three new maintenance supervisors, funded from state parks revenue, are authorized. In addition, funding is provided to increase temporary seasonal salaries 50 cents per hour each year of the biennium.

Water Commission

The State Water Commission (SWC) is the state agency charged with regulating and developing the state's water resources. The executive recommendation for the 2007-2009 biennium provided \$174.6 million total funds, \$13.7 million from the general fund. The Legislative Assembly increased the budget slightly to \$176.0 million total funds, with \$13.9 million from the general fund.

During the 2005-2007 biennium, the majority of SWC operations costs were paid from the water development trust fund, with only \$1.0 million of the approximately \$11.0 million in expenses coming from the general fund. In order to provide additional funding for water projects, the executive recommendation for the 2007-2009 biennium included a \$10.7

million general fund appropriation for SWC administrative costs; total administrative costs are \$11.7 million. This funding shift freed up \$9.0 million of water development trust fund moneys to be used for water projects.

Of the \$174.6 million executive budget recommendation, \$148.9 million (85.3%) was for project-related expenses. Nearly \$64.4 million was directed towards new projects alone. Another \$14.0 million will be utilized for payments on bonds.

The Governor dedicated \$3.0 million from the general fund for a critical water project - Red River Valley Water Supply. The balance of the project costs and other related expenses were funded through the resources trust fund, water development trust fund and other available funds.

The Legislative Assembly approved the Executive budget recommendation for SWC. In addition, the legislature authorized \$1.0 million from the Game & Fish fund for a Sweetbriar Dam repair project, if the SWC first dedicates necessary water development or resources trust fund monies to the project. Total Sweetwater Dam project costs may approach \$3.0 million. The legislature also appropriated \$200,000 from the general fund and \$200,000 special funds for a GIS mapping project in the Red River valley.

Transportation

The Department of Transportation oversees the development of surface transportation in the state, including highways, rail service, and transit services. The legislative appropriation of \$903.2 million was a decrease of \$4.1 million from the Governor's recommended budget. The executive recommendation included a one-time \$20.0 million general fund appropriation to be used as follows:

- \$11.2 million to address deferred road maintenance. Due to abnormally high road materials inflation rates incurring during the 2005-2007 biennium, numerous road maintenance and repair projects were deferred, which could result in deterioration of roadways and a much higher repair cost per mile when repaired at a later date.
- \$5.0 million to rewrite the current mainframe drivers license application.
- \$1.8 million for other IT projects.
- \$2.0 million for equipment purchases.

The Legislative Assembly did not approve the \$5.0 million proposed expenditure to rewrite the existing drivers license application, but approved the other \$15.0 million for one-time expenditures recommended by the Governor. However, the Legislative Assembly did not provide a direct general fund appropriation to the DOT, but instead chose to transfer ten percent of motor vehicle excise tax collections to the highway fund, from the general fund. This results in a decrease in general fund revenues and an increase in highway fund revenues of approximately \$12.6 million. This is a one-time change effective only for the 2007-2009 biennium. Also, the Legislative Assembly reduced the amount of highway fund moneys used to fund the Highway Patrol by \$4.3 million and increased general fund support for the Highway Patrol by this amount. This allowed more of the moneys in the highway fund to be made available to fund the activities of the DOT.

As proposed in the Governor's budget, the legislative appropriation provides for the matching of over \$480.0 million in federal funds with no tax or fee increases.

CAPITAL ASSETS

The 2007-2009 biennium executive recommendation recognized the importance of the state's investment in capital assets by providing for state investments totaling \$957.3 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 Assembly approved a slight increase, providing a total appropriation of \$958.3 million for capital assets.

The capital assets budget is a long-range planning document for the state's capital needs. It assists the executive and legislative branches of government by formalizing capital funding objectives, setting spending priorities, and efficiently allocating limited financial resources.

The capital budget is a financial management tool used to:

- Assist in determining infrastructure and repair needs.
- Provide for orderly replacement of facilities.
- Enhance the ability of decision makers to match resources with needs.
- Permit the organized development of capital infrastructure over an extended period of time.

The capital budget contributes to long-range policy development by:

- Formalizing capital funding objectives and debt policy.
- Providing for efficient allocation of limited financial resources.
- Setting spending priorities for capital assets.

The capital budget positively influences the state's credit rating by:

- Demonstrating that government has identified and prioritized needs and arranged for funding.
- Providing evidence of the development and maintenance of sound infrastructure, which is required for expansion of the state's economic base.
- Demonstrating government's ability to provide for the essential capital needs of its citizens.

The capital budget is a reporting document and communication tool used to:

- Communicate the significance of capital expenditures in the delivery of public services.
- Provide for intergovernmental coordination in timing and location of related projects.

The 2007-2009 capital assets budget is detailed on the following pages.

Capital Assets Appropriations by Category – 2007-2009

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
110 OFFICE OF MANAGEMENT AND BUDGET		\$ 4,345,000	\$ 253,519	\$ 40,000	\$ 6,500	\$ 4,645,019
112 INFORMATION TECHNOLOGY		60,000	5,407,075	102,600	6,875,575	12,445,250
117 OFFICE OF THE STATE AUDITOR				10,000		10,000
125 OFFICE OF THE ATTORNEY GENERAL	1,642,840		182,485	738,406	6,000	2,569,731
127 OFFICE OF STATE TAX COMMISSIONER					18,000	18,000
150 LEGISLATIVE ASSEMBLY				206,000		206,000
160 LEGISLATIVE COUNCIL				25,000	32,000	57,000
180 JUDICIAL BRANCH				433,542	121,041	554,583
215 ND UNIVERSITY SYSTEM ¹			15,754,112			15,754,112
226 STATE LAND DEPARTMENT				10,000		10,000
227 BISMARCK STATE COLLEGE	6,222,750	473,192				6,695,942
228 LAKE REGION STATE COLLEGE	3,007,600	125,604				3,133,204
229 WILLISTON STATE COLLEGE	2,100,000	157,198				2,257,198
230 UNIVERSITY OF NORTH DAKOTA	79,900,000	5,928,875				85,828,875
235 NORTH DAKOTA STATE UNIVERSITY	51,000,000	4,209,161				55,209,161
238 ND STATE COLLEGE OF SCIENCE	10,084,420	1,386,445				11,470,865
239 DICKINSON STATE UNIVERSITY	8,000,000	1,018,763				9,018,763
240 MAYVILLE STATE UNIVERSITY ¹	900,000	1,839,963				2,739,963
241 MINOT STATE UNIVERSITY	8,126,150	1,452,744				9,578,894
242 VALLEY CITY STATE UNIVERSITY	2,200,000	796,235				2,996,235
243 MINOT STATE UNIVERSITY - BOTTINEAU	252,000	158,702				410,702
244 NORTH DAKOTA FOREST SERVICE	120,000	60,204				180,204
252 SCHOOL FOR THE DEAF		150,000				150,000
253 ND VISION SERVICES		135,600		6,500		142,100
301 ND DEPARTMENT OF HEALTH		228,841	692,242	869,800	26,500	1,817,383
313 VETERANS HOME	21,098,656	196,900	260,205	38,942		21,594,703
325 DEPARTMENT OF HUMAN SERVICES	6,513,865	1,880,592	1,057,329	165,140		9,616,926
380 JOB SERVICE NORTH DAKOTA			20,000			20,000
405 INDUSTRIAL COMMISSION		230,000		8,000	26,500	264,500
408 PUBLIC SERVICE COMMISSION				125,484	32,500	157,984
412 AERONAUTICS COMMISSION		734,000				734,000
471 BANK OF NORTH DAKOTA	100,000			400,000	1,400,000	1,900,000
485 WORKFORCE SAFETY AND INSURANCE	-			13,000	775,000	788,000
530 DEPT OF CORRECTIONS AND REHAB	70,000	1,725,421	3,090,022	1,212,408		6,097,851

Capital Assets Appropriations by Category – 2007-2009

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
540 ADJUTANT GENERAL	41,300,000	4,625,000	255,667	1,575,347	980,000	48,736,014
601 DEPT OF COMMERCE				25,000		25,000
602 DEPARTMENT OF AGRICULTURE				5,000		5,000
616 STATE SEED DEPARTMENT		100,000		40,000		140,000
627 UPPER GREAT PLAINS TRANS INST	5,500,000			-	300,000	5,800,000
628 BRANCH RESEARCH CENTERS	1,401,000			1,771,784		3,172,784
638 NORTHERN CROPS INSTITUTE	-	25,000		365,000		390,000
640 NDSU MAIN RESEARCH CENTER	8,907,750	840,465		1,963,000		11,711,215
649 AGRONOMY SEED FARM				152,000		152,000
665 ND STATE FAIR	250,000	265,000	210,000	-		725,000
701 HISTORICAL SOCIETY	1,750,000	1,178,819	331,762	81,000		3,341,581
720 GAME AND FISH DEPARTMENT	1,040,000	1,629,241	1,000,000	605,000	50,000	4,324,241
750 PARKS AND RECREATION DEPT	6,327,675	950,000		1,167,500		8,445,175
770 WATER COMMISSION			53,483,936	20,000	30,000	53,533,936
801 DEPT OF TRANSPORTATION	1,610,000	2,655,423	512,064,476	31,991,302	399,897	548,721,098
	\$ 269,424,706	\$ 39,562,388	\$ 594,062,830	\$ 44,166,755	\$ 11,079,513	\$ 958,296,192

¹ Mayville's extraordinary repairs includes \$750,000 in the NDUS Office budget for a master capital plan & deferred maintenance & \$143,033 for special assessments.

Capital Assets Appropriations By Funding Source – 2007-2009

Agency	General Fund	Federal Funds	Special Funds	Bond Funds	Total
110 OFFICE OF MANAGEMENT AND BUDGET	\$ 3,855,019		\$ 790,000		\$ 4,645,019
112 INFORMATION TECHNOLOGY	225,000		12,220,250		12,445,250
117 OFFICE OF THE STATE AUDITOR			10,000		10,000
125 OFFICE OF THE ATTORNEY GENERAL	1,799,725	594,006	176,000		2,569,731
127 OFFICE OF STATE TAX COMMISSIONER	18,000				18,000
150 LEGISLATIVE ASSEMBLY	206,000				206,000
160 LEGISLATIVE COUNCIL	57,000				57,000
180 JUDICIAL BRANCH	554,583				554,583
215 ND UNIVERSITY SYSTEM	14,724,362		1,029,750		15,754,112
226 STATE LAND DEPARTMENT			10,000		10,000
227 BISMARCK STATE COLLEGE	961,892		5,734,050		6,695,942
228 LAKE REGION STATE COLLEGE	125,604		3,007,600		3,133,204
229 WILLISTON STATE COLLEGE	157,198		2,100,000		2,257,198
230 UNIVERSITY OF NORTH DAKOTA	7,908,875		77,920,000		85,828,875
235 NORTH DAKOTA STATE UNIVERSITY	8,709,161	4,000,000	42,500,000		55,209,161
238 ND STATE COLLEGE OF SCIENCE	1,386,445		10,084,420		11,470,865
239 DICKINSON STATE UNIVERSITY	1,018,763		8,000,000		9,018,763
240 MAYVILLE STATE UNIVERSITY	1,839,963		900,000		2,739,963
241 MINOT STATE UNIVERSITY	8,172,279		1,406,615		9,578,894
242 VALLEY CITY STATE UNIVERSITY	796,235		2,200,000		2,996,235
243 MINOT STATE UNIVERSITY - BOTTINEAU	158,702		252,000		410,702
244 NORTH DAKOTA FOREST SERVICE	180,204				180,204
252 SCHOOL FOR THE DEAF	150,000				150,000
253 ND VISION SERVICES	119,600		22,500		142,100
301 ND DEPARTMENT OF HEALTH	348,248	1,013,904	455,231		1,817,383
313 VETERANS HOME	6,665,426	12,040,278	313,847	2,575,152	21,594,703
325 DEPARTMENT OF HUMAN SERVICES	9,518,532	95,976	2,418		9,616,926

Capital Assets Appropriations By Funding Source – 2007-2009

Agency	General Fund	Federal Funds	Special Funds	Bond Funds	Total
380 JOB SERVICE NORTH DAKOTA		20,000			20,000
405 INDUSTRIAL COMMISSION	256,500		8,000		264,500
408 PUBLIC SERVICE COMMISSION	144,084	13,900			157,984
412 AERONAUTICS COMMISSION		600,000	134,000		734,000
471 BANK OF NORTH DAKOTA			1,900,000		1,900,000
485 WORKFORCE SAFETY AND INSURANCE			788,000		788,000
530 DEPT OF CORRECTIONS AND REHAB	5,542,351		555,500		6,097,851
540 ADJUTANT GENERAL	2,995,637	45,740,377			48,736,014
601 DEPT OF COMMERCE		25,000			25,000
602 DEPARTMENT OF AGRICULTURE		5,000			5,000
616 STATE SEED DEPARTMENT			140,000		140,000
627 UPPER GREAT PLAINS TRANS INST		5,500,000	300,000		5,800,000
628 BRANCH RESEARCH CENTERS	1,100,000		2,072,784		3,172,784
638 NORTHERN CROPS INSTITUTE	25,000		365,000		390,000
640 NDSU MAIN RESEARCH CENTER	10,153,215		1,558,000		11,711,215
649 AGRONOMY SEED FARM			152,000		152,000
665 ND STATE FAIR	725,000				725,000
701 HISTORICAL SOCIETY	2,038,248	820,000	483,333		3,341,581
720 GAME AND FISH DEPARTMENT		996,500	3,327,741		4,324,241
750 PARKS AND RECREATION DEPT	6,631,416	532,500	1,281,259		8,445,175
770 WATER COMMISSION		20,849,000	32,684,936		53,533,936
801 DEPT OF TRANSPORTATION		378,229,300	170,491,798		548,721,098
	<u>\$ 99,268,267</u>	<u>\$ 471,075,741</u>	<u>\$ 385,377,032</u>	<u>\$ 2,575,152</u>	<u>\$ 958,296,192</u>

CAPITAL PROJECTS

Capital projects are expenditures for land, new construction, additions, renovations, restorations and demolitions of buildings and infrastructure. Capital project recommendations are based on a review and analysis of each requested capital project. Agency budget requests include, for each capital project requested, a justification for the project, project description and specifications, requested funding sources, and anticipated operating and staffing costs for the upcoming and two subsequent biennia.

Justification

During preparation of the capital project requests, agencies are asked to justify the need for each project by considering the following questions:

- Is there evidence of the need for this project?
- Has there been adequate planning? If not, should a planning appropriation be considered?
- Can a third party finance or share the cost of this project?
- Is renovating or remodeling more cost effective?
- Has leasing of capital assets been considered?
- Can this project be postponed until the following biennium?
- Would this project be necessary if the size of government was reduced? If population declined? If a technological breakthrough occurred? If demand for services declined? If not, what is the likelihood any of these will happen in the next ten years?
- What are the operating costs over the life of this project and are they reasonable? Will the state have to pay these costs? Can the state afford to do so? Is it cost effective to spend more at the outset of the project to

reduce future operating costs (e.g., through redesign of a facility)?

- Have all the costs relating to this project been considered? Does the total cost include construction costs, architects' fees, contingency fees, construction supervision fees, equipment, insurance and bid costs, and site acquisition?
- What are the economies of scale? Would a bigger facility be cheaper per client served or personnel housed? If a bigger facility is built, can part of the space be rented?

NOTE: Adapted from "Capital Budgeting and Finance: The Legislative Role," published by the National Conference of State Legislatures.

Evaluation

The Office of Management and Budget considers external mandates, program needs, state policy direction, and available funding sources in evaluating and prioritizing capital project requests.

External mandates include:

- Court orders.
- Health and life safety codes.
- Handicap accessibility regulations.
- Regulations regarding the historical significance of existing facilities.

Program needs include or are influenced by:

- Demographic shifts.
- Department goals.
- Public convenience.

- Program requirements.
- Obsolescence of existing facilities.

State policy direction is influenced by:

- Gubernatorial priorities.
- Economic development needs and initiatives.
- Consolidation of state services.

Funding considerations include:

- Non general fund dollars available for construction and operation.
- Existing state debt obligations.
- Operating efficiency of the proposed facility.

Capital project appropriations for 2007-2009 are summarized on the following pages.

Capital Projects Appropriations – 2007-2009

Agency	Capital Project	Total	General Fund	Federal Fund	Special Fund	Bonding
125 OFFICE OF ATTORNEY GEN	Crime Lab building	\$ 1,642,840	\$ 1,442,840	\$ 200,000		
227 BISMARCK STATE COLLEGE	Schafer Hall renovation-1st floor	543,000	488,700		54,300	
	Student housing reauthorization	5,679,750			5,679,750	
228 LAKE REGION ST COLLEGE	Wind energy project	3,007,600			3,007,600	
229 WILLISTON ST COLLEGE	Creighton building addition	1,400,000			1,400,000	
	Service rig program facility	700,000			700,000	
230 UNIV OF NORTH DAKOTA	Allied Health Facility	20,400,000			20,400,000	
	American Indian Center	10,000,000			10,000,000	
	EERC Commercialization Center	5,000,000			5,000,000	
	Earth systems science building	5,000,000			5,000,000	
	Indoor track facility	15,000,000			15,000,000	
	Memorial Union front (north) entrance	4,500,000			4,500,000	
	O'Kelly – Ireland Lab	2,200,000	1,980,000		220,000	
	SMHS laboratory and admin renovations	9,800,000			9,800,000	
	SMHS-Bismarck FPC graduate center	4,000,000			4,000,000	
	Wilkerson dining center	4,000,000			4,000,000	
235 NORTH DAKOTA STATE UNIV	Dakota Coteau field school	4,000,000			4,000,000	
	Ellig softball complex	4,500,000			4,500,000	
	Living Learn Residence Hall West/Ceres Hall	12,000,000			12,000,000	
	Minard Hall renovation - phase I and II	5,000,000	4,500,000		500,000	
	Bison sports arena renovation	25,500,000			25,500,000	
238 ND ST COLLEGE OF SCIENCE	Football stadium and track renovation	1,700,000			1,700,000	
	Parking lot	714,000			714,000	
	Robertson Hall renovation	6,000,000			6,000,000	
	Steam line distribution replacement	1,670,420			1,670,420	
239 DICKINSON STATE UNIV	Whitney stadium renovation addition	8,000,000			8,000,000	
240 MAYVILLE STATE UNIV	Northwest Hall rehabilitation	900,000			900,000	
241 MINOT STATE UNIV	Dakota Hall elevator	340,000			340,000	
	Dome-athletic floor replacement	387,000	387,000		-	
	Pioneer Hall elevator	363,000			363,000	
	Swain Hall renovation and addition	7,036,150	6,332,535		703,615	
242 VALLEY CITY STATE UNIV	Steamline replacement	2,200,000			2,200,000	
243 MINOT ST UNIV-BOTTINEAU	Steamline replacement	252,000			252,000	
244 NORTH DAKOTA FOREST SERV	Storage buildings and outdoor restrooms	120,000	120,000		-	
313 VETERANS' HOME	150-Bed Nursing Facility	21,098,656	6,483,226	12,040,278	-	2,575,152
325 DEPT OF HUMAN SERVICES	Developmental Center - infrastructure improv	351,108	300,000	51,108	-	
	State Hospital - infrastructure improvements	3,062,757	3,062,757		-	
	State Hospital sex offender addition	3,100,000	3,100,000		-	

Capital Projects Appropriations – 2007-2009

Agency	Capital Project	Total	General Fund	Federal Fund	Special Fund	Bonding
471 BANK OF NORTH DAKOTA	Landscaping for new facility	100,000			100,000	
530 DEPT OF CORRECT & REHAB	YCC - security lighting - video surveillance	70,000	70,000			
540 ADJUTANT GENERAL	Estimated federal construction	15,000,000		15,000,000		
	Total Army school system	26,300,000		26,300,000		
627 UPPER GR PLAINS TRANS INST	Center for Transportation Study	5,500,000		5,500,000		
628 BRANCH RESEARCH CENTERS	Agronomy Lab & greenhouse - N Cent Resrch	400,000	400,000			
	Storage building - North Central Research	300,000	300,000			
	Headqtrs facility parking lot and landscaping	350,000			350,000	
	Waste management facility	351,000			351,000	
640 NDSU MAIN RESRCH CENTER	Hdqtr. office building additions & renovations	907,750	907,750			
	Beef research facility	1,000,000			1,000,000	
	Research greenhouse complex	7,000,000	7,000,000			
665 ND STATE FAIR	New grandstand	250,000	250,000			
701 HISTORICAL SOCIETY	Abercrombie interpretative center	900,000	700,000	200,000		
	Chateau interpretive center completion	150,000	150,000			
	Cold War missile sites	700,000		250,000	450,000	
720 GAME AND FISH DEPT	Boat ramp projects	1,040,000			1,040,000	
750 PARKS AND REC DEPT	DLSP ramp widening	150,000			150,000	
	FALSP conservation easement	275,000	55,000	220,000		
	FSSP boat ramp 1827 msl	109,760			109,760	
	FSSP campground phase II	320,000	320,000			
	Federal funding match for construction projects	250,000		250,000		
	LSSP campground rewire phase II	255,000	255,000			
	Other fund authority for capital projects	100,000			100,000	
	Pembina Gorge trailhead and trails develop	160,500	160,500			
	State park road repairs	691,915	407,916		283,999	
	TRSP campground water/rewire	200,000	200,000			
	TRSP trail river crossing	125,000	62,500	62,500		
	Turtle River admin building completion	150,000	150,000			
	Lake Metigoshe shop replacement	233,000	125,000		108,000	
	Icelandic State Park visitors center	474,500	362,500		112,000	
	Peace Garden infrastructure upgrade	933,000	933,000			
	Peace Garden interpretive center/gardens	1,500,000	1,500,000			
	Peace Garden Music Camp	400,000	200,000		200,000	
801 DEPT OF TRANSPORTATION	Land and buildings	1,610,000			1,610,000	
		\$ 269,424,706	\$ 42,706,224	\$ 60,073,886	\$ 164,069,444	\$ 2,575,152

CAPITAL PROJECTS DESCRIPTIONS**125 – Office of the Attorney General**Crime Laboratory Building

This project is phase III of the master plan development at the East Laboratory campus. The original project included remodeling of the existing 5,291 square foot crime laboratory and an addition of 14,000 square feet. The construction bids exceeded the appropriation authority of \$3,632,691 (bonding proceeds) from the 2005 legislature so the agency did not proceed with construction. At this time, the estimated operating costs per biennium were \$297,448.

The Executive recommendation for 2007-09 included an additional \$1,242,840 to cover increased costs for the original project design. The legislature approved an additional \$400,000 of which \$200,000 is from the general fund and \$200,000 from other funds. The Attorney General's Office was provided flexibility to build a new building near the existing site; thus, eliminating remodeling costs. Total project expenses are estimated at \$5.3 million.

227 – Bismarck State CollegeSchafer Hall Renovation – 1st Floor

Part of a multi-stage renovation to Schafer Hall, this project will provide hazardous material abatement and renovation to the business office and computer center. The project also includes a 1,100 square foot addition to the computer center. The

project includes \$488,700 from the general fund and \$54,300 of special funds for a total project cost of \$543,000. No net additional operating and maintenance costs are anticipated.

Student Housing Reauthorization

The legislature provided \$5,679,750 from special funds to reauthorize this student housing project. The project was not included in the agency's original budget request.

228 – Lake Region State CollegeWind Energy Project

The installation of a wind turbine will provide utility savings to replace the two existing boilers and provide a closed lab for students to observe the potential of North Dakota wind energy. The project would be completed under performance contracting at a cost of \$3,007,600. No additional operating or maintenance costs are expected as a result of this project.

229 – Williston State CollegeCreighton Building Addition

This project will provide 9,000 square feet of additional laboratory space and 4,000 square feet of additional support space for the Diesel Technology program. The project includes \$1,400,000 of special funds and will result in additional operating and maintenance expenses of \$30,000 per biennium to be paid within the agency's budget.

Service Rig Program Facility

The legislature appropriated \$700,000 from the permanent oil tax trust fund for the construction of a new facility for the service rig program.

230 – University of North DakotaAllied Health Facility

This new construction project will combine a number of interrelated departments including Physical Therapy, Occupational Therapy, Clinical Lab Science, Rural Health, Sports Medicine, and Physician Assistant Programs into one facility designed to accommodate their specific research and education needs. The 130,000 square foot project includes \$20,400,000 of special funds. Additional operating and maintenance funds have not been identified.

American Indian Center

This new building will accommodate a greatly expanded learning center, administrative and support offices, event space, and a cultural center museum/gallery that will feature American Indian artifacts, heritage and history of the native peoples. The project includes \$10,000,000 of special funds. The project will result in increased operating costs of \$345,450 per biennium to be paid with special funds.

Energy & Environment Research Center Commercialization Center

A new facility adjacent to the existing EERC complex, this project will allow researchers and industry specialists to work together on cutting-edge technologies. The project includes \$5,000,000 in special funds. The project will result in increased operating and maintenance costs of \$220,500 per biennium to be paid with special funds.

Earth Systems Science Building

The construction of this building will provide a new teaching platform that utilizes earth-friendly construction techniques resulting in a learning center for new technologies that refine and improve traditional construction methods to achieve a

higher degree of energy efficiency and reduced environmental damage. The project includes \$5,000,000 of special funds and will result in operating and maintenance expenses of \$169,050 per biennium to be paid with special funds.

Indoor Track Facility

The UND Athletic Department currently has no indoor, multi-purpose space of sufficient size and arrangement to accommodate an indoor track and football practice field. UND has retained a sports facility consultant to develop this \$15,000,000 special fund project. The project will result in increased operating and maintenance costs of \$330,750 per biennium to be paid with special funds.

Memorial Union Front (North) Entrance

This project will provide elevator and grade access improvements to the primary entrance. It also includes an addition incorporating new meeting and conference spaces. The project includes \$4,500,000 in special funds. Additional operating costs of \$147,000 per biennium will be paid with special funds.

O'Kelly Hall Renovation – Ireland Laboratory Renovation

This project would provide code-required improvements to the fire protection, mechanical, ventilation, and electrical systems for the building. It will also address mandatory accessibility improvements. The approved project includes \$1,980,000 from the general fund and \$220,000 matching funds. The project will not result in increased operating and maintenance costs.

School of Medicine and Health Sciences Laboratory and Administrative Renovations

The original 1952 construction will be remodeled to provide updated research laboratories and convert existing patient exam rooms into appropriate office facilities. The project

includes \$9,800,000 of special funds. No net additional operating or maintenance costs are expected as a result of this project.

School of Medicine and Health Sciences – Bismarck Center for Family Practice/Graduate Center

This project will provide a new facility to accommodate both the Bismarck Center for Family Practice and the UND Graduate School's distance learning program. The project includes \$4,000,000 of special funds and will result in operating costs of \$161,700 per biennium to be paid with special funds.

Wilkerson Dining Center

Renovation to this existing dining space will provide improved service delivery, greater variety, and improved quality to the student residents. The improvements will result in a more flexible food delivery system that can be more easily modified to accommodate future changes. The project includes \$4,000,000 of special funds. No net additional operating and maintenance costs are expected as a result of this project.

235 - North Dakota State University

Dakota Coteau Field School

This new facility will provide a field research station for students and faculty of the University. The project includes \$4,000,000 of special funds. Additional operating and maintenance costs have not been identified.

Ellig Softball Complex

This project includes construction of a press box, dugouts, locker rooms and restrooms, updates to the irrigation system, lights, bleachers, and a maintenance storage area at the existing four-diamond softball complex. The project includes

\$4,500,000 of special funds. No net increase in operating or maintenance is expected.

Living/Learning Residence Hall/Ceres Hall

The project includes both construction of a new \$10,000,000 residence hall and a \$2,000,000 renovation/addition to the existing Ceres Hall. The project includes \$12,000,000 of special funds. The increased operating and maintenance costs will be paid with special funds.

Minard Hall Renovation – Phase I and II

Phases I and II will provide a weatherproof exterior envelope prior to renovation of interior spaces. It includes replacing the roof, tuck-pointing the masonry, replacing the windows, and updating/replacing the utility infrastructure to the building. The project includes \$4,500,000 from the general fund and \$500,000 matching funds. The project will not increase operating and maintenance costs.

Bison Sports Arena Renovation Reauthorization

The legislature re-authorized \$25,500,000 for the 2007-09 biennium for the Bison Sports Arena renovation.

238 - North Dakota State College of Science

Football Stadium and Track Renovation

The existing concrete bleachers have become a safety hazard as decaying becomes more prevalent. In the spring of 2006, the bleachers were chained off and are no longer used. 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.

Parking Lot

This project provides for reconstruction of Parking Lot 4 at a cost of \$714,000 of special funds. No increase in operating or maintenance is expected.

Robertson Hall Renovation

This project will renovate the existing single room/shared restroom configuration into shared suites. It also includes replacement of the mechanical systems and installation of a new ventilation system and air conditioning. The project includes \$6,000,000 of special funds. The increased operating and maintenance funds will be paid with special funds.

Steam Line Distribution Replacement

This project will replace 1,900 lineal feet of 30-year old steam line and includes \$1,670,420 from the permanent oil tax trust fund. No net increase in operating or maintenance is expected.

239 – Dickinson State UniversityWhitney Stadium Renovation and Addition

This project was approved by the legislature for the 2005-2007 biennium. The project was submitted at \$5,000,000. As the planning was refined, it was apparent that the estimate would need to be raised to \$8,000,000. Fund raising continues but will not be completed by the end of the 2005-2007 biennium. The project includes \$8,000,000 of special funds. The project will result in increased operating and maintenance costs of \$218,584 per biennium to be paid within the agency's budget.

240 – Mayville State UniversityNorthwest Hall Rehabilitation

This project will continue the renovation of Northwest Hall for an alumni center, the foundation offices and guest accommodations. The project includes \$900,000 of special

funds. No net increase in operating and maintenance expenses is anticipated.

241 – Minot State UniversityDakota Hall Elevator

This project will replace the existing four-stop elevator that does not meet ADA or building code requirements. The project includes \$340,000 of special funds. No net increase in operating and maintenance expenses is anticipated.

Dome – Athletic Floor Replacement

This project will replace the running track at the existing Dome. The recommendation includes \$387,000 from the general fund. No net increase in operating and maintenance is expected.

Pioneer Hall Elevator

This project will provide an elevator to the existing four-story building. The project includes \$363,000 of special funds. Additional operating and maintenance costs have not been identified.

Swain Hall Renovation and Addition

This project provides for complete renovation of the existing 52,000 square foot building including lighting, plumbing, heating, ventilation, windows, hazardous material abatement and interiors. It also includes a 15,250 square foot addition. Funding is \$6,332,535 from the general fund and \$703,615 of matching funds for a project total of \$7,036,150. An increase in operating and maintenance expenses is estimated at \$29,533 per biennium to be paid within the agency's budget.

242 – Valley City State UniversitySteam Line Replacement

This project will replace the distribution piping in the power house, replace the main steam lines to the individual building vaults, and replace the lines from the vaults to the buildings. The project includes \$2,200,000 from the permanent oil tax trust fund. No net increase in operating and maintenance expenses is anticipated.

243 – Minot State University - BottineauSteam Line Replacement

This project will replace 850 linear feet of steam line from the heating plant to six campus buildings. The project includes \$239,095 from the permanent oil tax trust fund and \$12,905 of special funds for a total project cost of \$252,000. No net increase in operating and maintenance funds is anticipated.

244 - North Dakota Forest ServiceStorage Buildings and Outdoor Restroom Facility

This project includes two storage buildings for service vehicles, fire strike team engines, and equipment, and an outdoor restroom to serve two recreation areas. The project includes \$120,000 from the general fund. No net increase in operating and maintenance funds is anticipated.

313 – Veterans' Home

This project will provide funding to build a 150-bed veterans' home facility, to replace the existing structure. The total project cost of \$21,098,656 consists of a \$6,483,226 general fund match, \$12,040,278 from a federal state home construction grant and \$2,575,152 obtained through the issuance of revenue bonds.

325 – Department of Human ServicesDevelopmental Center – Infrastructure Improvements

The Legislative Assembly reduced the Governor's recommendation for infrastructure improvements of the Developmental Center. The recommended amount of \$998,200 was reduced to \$351,108 of which \$300,000 is from the general fund. The Developmental Center will determine the best way to use the remaining appropriation to address the most critical repairs, consisting of roof repairs, interior upgrades and mechanical and electrical repairs. No net increase in operating and maintenance expenses is anticipated

State Hospital – Infrastructure Improvements

This project groups together three separate projects including \$2,498,757 to upgrade the electrical service, \$614,000 for street reconstruction, and \$250,000 for sewer improvements. The Governor's recommendation for this project totaled \$3,362,757 from the general fund. The legislature reduced the infrastructure improvements by \$300,000 from the general fund resulting in an appropriation of \$3,062,757. The State Hospital will determine the most appropriate use of the funding to address the needed improvements. No net increase in operating and maintenance expenses is anticipated.

State Hospital – Sex Offender Addition

This project will provide a new wing to the existing GM Building to house sex offenders needing the highest level security. The project includes \$3,100,000 from the general fund. Additional operating and maintenance costs have not been identified.

471 – Bank of North DakotaLandscaping for New Facility

This project will provide an additional \$100,000 of special funds for the new facility to complete the site landscaping. The net increase in operating has not been identified.

530 - Department of Corrections and RehabilitationState Prison Expansion

The Legislative Assembly did not approve the executive recommendation to appropriate \$42.0 million for a project to include site demolition, a 40,000 square foot orientation and processing unit, a 21,000 square foot medical facility, new guard tower, central warehouse and receiving area, specialty housing units, visitors area, laundry facilities and a 125 bed general population cell house. Instead, the Legislative Assembly provided for a transfer of \$41.0 million from the general fund to the Penitentiary land replacement fund. The funds are appropriated to the DOCR only upon approval of the Emergency Commission and Budget Section for a project recommended by the legislatively created Correctional Facility Review Committee.

Youth Correctional Center – Security Lighting – Video Surveillance

This project will include new street lighting and video surveillance cameras to monitor traffic in and out of the campus. The executive recommendation provided \$170,000 from the general fund to complete the project. The Legislative Assembly provided only \$70,000 for the project, which will likely be done in multiple phases as funding is provided. No net increase in operating and maintenance expenses is anticipated.

540 – Adjutant GeneralEstimated Federal Construction

This appropriation represents the historical expenditures for the Army Guard contracts line. The spending authority includes \$15,000,000 federal funding; however, the National Guard Bureau has not yet approved funding or specific projects for the 2007-2009 biennium. Any increase in operating and maintenance costs will be paid within the agency's budget.

Total Army School System

This collection of new buildings will be the location of a "Total Army School System" (TASS). The facility will include a 38,400 square foot administrative building, a 47,100 square foot education building and a 59,300 square foot vertical construction education building. The TASS will be a nationwide training facility. Construction is estimated at \$26,300,000 of federal funds. Operating and maintenance costs of \$888,502 are federally funded.

627 – Upper Great Plains Transportation InstituteCenter for Transportation Study

This new 50,000 square foot facility will consolidate the various faculty, research, and instructional spaces throughout the NDSU campus into one location. The project includes \$5,500,000 federal funds. The project will result in increased operating and maintenance costs of \$200,000 per biennium to be paid within the agency's budget.

628 – Branch Research CentersAgronomy Lab and Greenhouse – North Central Research Center

The agronomy laboratory and greenhouse project was approved by the 2005 legislature. The project includes a new 9,600 square foot laboratory and a greenhouse for winter research. The construction bids exceeded the appropriation authority. This project includes \$400,000 of additional general fund dollars. Additional operating and maintenance costs are estimated at \$16,000 per biennium to be paid with special funds. The 2005-2007 appropriation included \$440,000 of general fund bonding and \$1,250,000 of special funds for a total project authority of \$1,690,000. Total project authority is now \$2,090,000.

Storage Building – North Central Research Center

This project consists of constructing a machine storage and maintenance building for weather protection and security of farm machinery and equipment. The 120' X 60' steel building will have a concrete floor, large overhead doors for wide equipment entrance/exit and smaller walk-through doors. One end will be insulated and heated for machine maintenance and repair. The Legislative Assembly appropriated \$300,000 from the general fund for this project, which was not included in the agency's original budget request. Anticipated operating costs are \$4,800 per year and will be paid from the center's appropriation.

Headquarters Facility Parking Lot and Landscaping

This project will provide the Dickinson Branch Center Office and multi-purpose facility with additional parking to accommodate public use and provide landscaping around the facility. The project includes \$350,000 of special funds. No net

increase in operating and maintenance expenses is anticipated.

Waste Management Facility

This project will provide the existing Dickinson Research Extension Center (DREC) with appropriate waste management facilities for the livestock operations as required by the State Department of Health. The project includes \$351,000 of special funds. An increase in operating and maintenance expenses is estimated at \$5,000 per biennium to be paid with special funds.

640 – NDSU Main Research CenterHeadquarters Office Building Additions and Renovations

The project, funded in the executive recommendation at \$1,107,750 from the general fund, consisted of three separate additions to existing headquarter facilities. At Carrington, \$465,000 would provide additional program and outreach service space. At Hettinger, \$222,750 would provide additional office and conference space. At North Central, \$420,000 would provide additional office and data processing space. An increase in operating and maintenance expenses is estimated at \$33,000 per biennium to be paid from within the agency's budget.

The Legislative Assembly reduced available funding to \$907,750 from the general fund. The agency will seek bids for the projects and adjust plans to fit the available funding.

Research Greenhouse Complex

The first phase of this project was approved by the 2005 legislature with \$2,000,000 of general fund supported bonding, \$2,000,000 of federal funds and \$3,000,000 of special fund authority for a project total of \$7,000,000. As planning and

design developed, it became apparent that a larger first phase would be necessary to provide a functioning facility. The Governor recommended providing an additional \$9,000,000 from the general fund in the 2007-09 biennium; however, the Legislative Assembly authorized \$7,000,000 from the general fund. Total construction authority, including carryover, is \$14,000,000. Total costs for the research greenhouse complex are estimated to be \$30,000,000. An increase in operating and maintenance expenses is estimated at \$160,000 per biennium to be paid from within the agency's budget.

Beef Research Facility

The 2007 Legislative Assembly approved \$1,000,000 in special fund authority for construction of a beef research facility to more fully utilize the potential for beef research at NDSU and to better serve the State's beef producers. The proposed facility would be approximately 58' X 720' and consist of 36 pens. The building would provide shelter for cattle, a covered drive-through feeding alley, handling facilities, scales, chutes and a feed preparation center. All aspects of beef cattle management, nutrition, and reproductive physiology research would be accommodated in the design of the facility. Additional operating and administrative costs have not been identified at this time.

665 – North Dakota State Fair

New Grandstand

This project would replace the existing grandstand with a new expanded, accessible grandstand, as well as accessible restrooms and concession space. The Governor's budget included \$5,000,000 from the general fund and \$5,000,000 in special funds for a total project cost of \$10,000,000. No net increase in operating and maintenance is anticipated.

The Legislative Assembly did not approve this project. Rather, they appropriated \$250,000 for addition planning and preliminary development costs for potential future grandstand construction.

701 - State Historical Society

Fort Abercrombie Interpretive Center

The 2005 legislature appropriated \$400,000 for the planning and preliminary development of an interpretive center. The 2007-09 appropriation will enable the Historical Society to complete the facility with \$700,000 from the general fund and \$200,000 in federal funds, for a total of \$900,000. (Total project authority is \$1,300,000.) Additional general fund operating and maintenance costs are estimated at \$39,870.

Chateau de Mores Interpretive Center Completion

The 2005 legislature appropriated funding for renovating and constructing an addition to the Chateau de Mores interpretive center. However, once construction began, it became apparent the existing structure was not sound and needed to be rebuilt. The department reallocated funding from other projects and from other areas of the Chateau project to accomplish this reconstruction. Consequently, \$150,000 from the general fund was added by the 2007 Legislative Assembly to provide for completion of the project, including landscaping, patio construction, interior finishing, and exhibit development. In addition, the Legislative Assembly provided \$45,000 from the general fund for increased operating and maintenance costs.

Cold War Missile Sites

The Legislative Assembly provided \$700,000 (\$250,000 from the lands and minerals trust fund, \$250,000 from federal funds, and \$200,000 from other funds obtained through fundraising efforts) to acquire two missile sites: a missile alert facility and a

launch facility, both located near Cooperstown. The legislature provided \$50,000 from the general fund for operating costs incurred during the 2007-09 biennium. Section 8 of 2007 SB2018 provides that any future operating costs associated with the missile sites occurring after June 30, 2009, will be funded from sources other than the general fund.

720 – Game and Fish

Boat Ramp Projects

The Legislative Assembly appropriated \$1,040,000 from the Game and Fish Department fund to address boating access to Lake Sakakawea. Projects will be at various locations on the lake and will include the extension of existing ramps or the relocation of ramps, as necessary to provide continued access despite declining water levels. No increase in operating and maintenance expenses is anticipated.

750 - Department of Parks and Recreation

Ramp Widening – Devils Lake State Park, Graham’s Island

This project will expand the boat ramp from 24’ wide to 48’ wide, expand the vehicle access, and queuing areas, and purchase one courtesy dock. The project includes \$150,000 of special funds from the Game and Fish Department. An increase in general fund operating and maintenance expenses is estimated at \$2,400 per biennium.

Conservation Easement – Fort Abraham Lincoln State Park

This project will allow the agency to purchase scenic easements on the west boundary of the existing park. The project includes \$55,000 from the general fund and \$220,000 of federal funds for a total project cost of \$275,000. No increase in operating and maintenance is anticipated.

Boat Ramp – Fort Stevenson State Park

This project will extend the existing boat ramp from 1825 msl to 1848 msl. The project includes \$109,760 of special funds from the Game and Fish Department. No increase in operating and maintenance expenses is expected. Section 5 of 2007 SB 2017 provides that the Game and Fish Department will only provide the funding if the U.S. Army Corps of Engineers does not begin construction of a new marina at Fort Stevenson State Park prior to March 31, 2008.

Campground Phase II – Fort Stevenson State Park

Phase II of this project includes establishment of water, electrical and sewer service to 15 of the 30 sites in the campground expansion project. The project includes \$320,000 from the general fund. An increase in operating and maintenance expenses is estimated at \$7,000 per biennium to be paid within the agency’s budget.

Federal Fund Match for Construction Projects

This appropriation provides spending authority for potential federal fund match construction projects. It includes \$250,000 of federal funds. No increase in operating and maintenance expenses is expected.

Campground Rewire Phase II – Lake Sakakawea State Park

This project will replace the current electrical and water service to the remaining 30 sites of a 55 pad campground. The project includes \$255,000 from the general fund. No increase in operating or maintenance is anticipated.

Other Fund Authority

This appropriation provides spending authority for capital expenses through acceptance of donated dollars. It includes \$100,000 of special funds. No increase in operating and maintenance expenses is expected.

Pembina Gorge Trailhead and Trails Development

This project will develop a scenic overview, public trailhead and parking area, and a day hike trail. It includes \$160,500 from the general fund. No increase in operating and maintenance expenses is expected.

State Park Road Repairs

This project includes asphalt repairs and sealing of interior park asphalt roads in four state parks: Lake Sakakawea, Fort Stevenson, Graham's Island, and Beaver Lake. The project includes \$407,916 from the general fund and \$283,999 of special funds for a total project cost of \$691,915. No net additional operating and maintenance costs are anticipated.

Campground Water/Rewire – Turtle River State Park

This project will replace the current electrical and water service to the modern RV campground. The project includes \$200,000 from the general fund. No increase in operating and maintenance is anticipated.

Trail River Crossing – Turtle River State Park

This project will replace an existing bridge that has been condemned to vehicle traffic by the Department of Transportation. The project includes \$62,500 from the general fund and \$62,500 of federal funds for a total project cost of \$125,000. No net additional operating and maintenance costs are anticipated.

Turtle River Administration Office Completion

This project will provide additional funds for parking lot paving, interpretive exhibits and landscaping at the new office building. The project includes \$150,000 from the general fund. No increase in operating and maintenance expenses is expected.

Shop Replacement – Lake Metigoshe State Park

This project will replace a shop building destroyed by fire in 2007. The total appropriation is \$233,000, consisting of \$125,000 from the general fund and \$108,000 from anticipated insurance proceeds. No increase in operating and maintenance is anticipated.

Visitors' Center Expansion – Icelandic State Park

The 2007 legislature provided \$474,500, consisting of \$362,500 from the general fund and \$112,000 from other funds anticipated to be raised locally, for an expansion to the visitors' center at Icelandic State Park. No increase in operating and maintenance costs has been identified.

Peace Garden Infrastructure Upgrade

This project includes a number of smaller projects including stonework repairs and pointing, water and sewer line repairs, and upgrades at the water treatment plant. The project includes \$933,000 from the general fund. No increase in operating and maintenance expenses is anticipated.

Peace Garden Interpretive Center/Gardens

This project will rehabilitate the formal gardens area and build a new interpretive center. The project includes \$1,500,000 from the general fund. The amount of additional operating and maintenance costs is unknown at this time.

Peace Garden Music Camp Arts Center

The 2007 legislature provided a total of \$400,000 (\$200,000 from the general fund and \$200,000 from other funds which may become available to the International Peace Garden) for completion of the Peace Garden Music Camp Arts Center. The 2005 legislature provided a \$350,000 appropriation from the permanent oil tax trust fund for the project. The \$200,000 general fund appropriation can only be spent to the extent it is

matched by other funds. Operating and maintenance costs will be the responsibility of the International Peace Garden Music Camp.

801 - Department of TransportationLand and Buildings

This project combines a number of smaller buildings including five tractor sheds, four salt storage sheds and three section buildings. It also includes miscellaneous land purchases for district facilities. The project includes \$1,610,000 of special funds. Any increase in operating and maintenance will be paid within the agency's budget.

EXTRAORDINARY REPAIRS

Extraordinary repairs include expenditures for substantial repairs and improvements to buildings and infrastructure. The Fiscal Management Division of OMB uses a building and infrastructure renewal formula, based on industry standards, to generate an estimate of total dollars that should be spent to adequately maintain buildings and infrastructure.

For large agencies with numerous facilities the formula generates a pool to be used to address extraordinary repair needs. Some buildings will not have extraordinary repair needs during the biennium; other buildings may have extraordinary repair needs that differ from the formula amount. Newer buildings will normally require fewer repairs than older buildings. The pooled resources from all buildings and infrastructure in the formula will be applied by the agency to the areas of greatest need. However, many agencies have few buildings and minimal infrastructure, limiting the flexibility provided by pooling resources.

The formula driven calculations may not always reflect actual repair needs. Therefore, although the formula is used to guide agencies in requesting repair dollars, actual requests may be higher or lower than formula amounts.

Extraordinary Repairs - Buildings

Formulas are generally used to calculate the cost to adequately maintain buildings. The formula used by the Fiscal Management Division is based on the following premises:

- The formula reflects current building valuation.

- The formula recognizes that as a general policy, fewer resources should be directed to building renewal than the cost of building replacement.
- The formula recognizes that older buildings require proportionally more repair funds than do newer buildings.
- The formula reflects the effects of building repair projects already accomplished.
- The formula is applied to an entire facility system in an actuarial manner, generating a pool of funds to be used on extraordinary repairs.

Building Formula

The annual extraordinary repairs formula for buildings is as follows:

Buildings 5 years old or older at mid-year of biennium

Building Replacement Value x 2% = Formula Amount

Buildings less than 5 years old

\$0

Building Value Factor

The North Dakota Century Code requires that all state buildings built after 1939 be insured at replacement value. The building's insured value is used as the building replacement value for the formula calculation. All state owned buildings are insured through the fire and tornado fund.

Building Age

The building age is determined by subtracting the year a building was built or extensively renovated from 2006, the mid-

year in the 2005-2007 biennium. For example, if a building was built or renovated in 1953, the building age is 53 (2006-1953).

Extraordinary Repairs - Infrastructure

Infrastructure is defined as a structure outside of and apart from a building, but necessary to the function of the building. Examples of infrastructure include water and sewer lines, electrical lines, parking lots, sidewalks and roads.

Recognizing that formulas based on building value would not provide adequate funding for infrastructure needs, the Fiscal Management Division of OMB has adopted a formula for calculating costs of extraordinary repairs to infrastructure.

Because, in some cases, the value and age of infrastructure are difficult to determine, the infrastructure formula is based on the replacement value of various infrastructure components.

Infrastructure Formula

The annual extraordinary repairs formula for infrastructure is as follows:

P X R = Formula Amount
P = Infrastructure renewal percentage
R = Infrastructure replacement value (per unit value times the number of units)

Infrastructure Renewal Percentage

The infrastructure renewal percentage is the straight line depreciation over the normal life of the item. For example, the infrastructure renewal percentage for an item with a 20-year normal life is 5 percent.

Infrastructure Replacement Value

Infrastructure is valued at replacement cost. Expertise from the North Dakota Association of Physical Plant Administrators was used to determine replacement costs and parameters applicable to the valuation of the numerous types of infrastructure.

The schedule on the following pages show amounts appropriated for each state agency with extraordinary repairs for the 2007-2009 biennium.

Extraordinary Repairs Appropriations – 2007-2009

Agency Name	Building Formula	Infrastructure Formula	Total Formula	Extraordinary Repairs Appropriation	% of Formula Appropriated
110 Office of Management and Budget	\$ 5,914,442	\$ 629,062	\$ 6,543,504	\$ 4,345,000	66%
112 Information Technology Department	47,057		47,057	60,000	128%
227 Bismarck State College	1,517,712	547,007	2,064,719	473,192	23%
228 Lake Region State College	579,631	173,815	753,446	125,604	17%
229 Williston State College	653,071	384,254	1,037,325	157,198	15%
230 University of North Dakota	14,692,366	6,780,419	21,472,785	5,928,875	28%
235 North Dakota State University	9,564,289	4,041,530	13,605,819	4,209,161	31%
238 ND State College of Science	4,301,222	1,512,409	5,813,631	1,386,445	24%
239 Dickinson State University	1,907,131	343,437	2,250,568	1,018,763	45%
240 Mayville State University	989,447	456,938	1,446,385	1,839,963 ¹	127%
241 Minot State University	3,648,455	906,438	4,554,893	1,452,744	32%
242 Valley City State University	1,732,132	386,958	2,119,090	796,235	38%
243 Minot State University - Bottineau	389,797	143,518	533,315	158,702	30%
244 North Dakota Forest Service	70,372	150,210	220,582	60,204	27%
252 School for the Deaf	448,173	147,856	596,029	150,000	25%
253 ND Vision Services	164,446		164,446	135,600	82%
301 ND Department of Health	228,840		228,840	228,841	100%
313 Veterans Home	388,112	332,048	720,160	196,900	27%
325 Department of Human Services	3,886,087	1,512,181	5,398,268	1,880,592	35%
380 Job Service North Dakota	1,165,982	73,271	1,239,253		0%
405 Industrial Commission				230,000	0%
412 Aeronautics Commission		82,309	82,309	734,000	892%
471 Bank of North Dakota	346,539	28,146	374,685		0%
485 Workforce Safety and Insurance	520,330	69,258	589,588		0%
504 Highway Patrol	145,902		145,902		0%
530 Dept of Corrections and Rehabilitation	4,515,973	826,865	5,342,838	1,725,421	32%
540 Office of the Adjutant General	4,266,106	4,362,975	8,629,081	4,625,000	54%
616 State Seed Department	98,533		98,533	100,000	101%
628 Branch Research Centers	527,102	719,892	1,246,994		0%
638 Northern Crops Institute				25,000	100%
640 NDSU Main Research Center	350,953	245,885	596,838	840,465	141%
649 Agronomy Seed Farm	54,520	44,838	99,358		0%
665 North Dakota State Fair				265,000	100%
701 Historical Society	525,277	897,841	1,423,118	1,178,819	83%
720 Game and Fish Department	441,241		441,241	1,629,241	369%
750 Parks and Recreation Dept	548,249	3,544,135	4,092,384	950,000	23%
770 State Water Commission	24,630	34,840	59,470		0%
801 Dept of Transportation	2,210,447	856,760	3,067,207	2,655,423	87%
TOTALS	\$ 66,864,566	\$ 30,235,095	\$ 97,099,661	\$ 39,562,388	41%

¹ Mayville's total appropriation includes \$750,000 in the NDUS budget for a master capital plan & deferred maintenance & \$143,033 for special assessments.

Other Capital Payments Appropriations – 2007-2009

Agency	Total	General Fund	Federal Funds	Special Funds	Bond Proceeds	Project Description
110 OFFICE OF MANAGEMENT & BUDGET	\$ 158,519	\$ 158,519				Bond Payments for Fire Suppression System
110 OFFICE OF MANAGEMENT AND BUDGET	95,000	95,000				Special Assessments
112 INFORMATION TECHNOLOGY	5,407,075			5,407,075		ConnectND Bond Repayment
125 OFFICE OF ATTORNEY GENERAL	182,485	182,485				Crime Laboratory bond payments
215 ND UNIVERSITY SYSTEM	15,754,112	14,724,362		1,029,750		Capital Bond Payments
301 ND DEPARTMENT OF HEALTH	529,221	185,227	343,994			Bond Payment for Laboratory Addition
301 ND DEPARTMENT OF HEALTH	163,021	163,021				Bond Payment for State Morgue Building
313 VETERANS HOME	260,205			260,205		Bond & Interest Payments
325 DEPT OF HUMAN SERVICES	285	210	75			Bond Payment SE Human Service Center
325 DEPT OF HUMAN SERVICES	399	149	250			Bond Payment for SE Human Service Center
325 DEPT OF HUMAN SERVICES	534,505	534,505				Developmental Center Bond Payments
325 DEPT OF HUMAN SERVICES	55,749	24,645	28,686	2,418		SE Human Service Center Bond Payments
325 DEPT OF HUMAN SERVICES	466,391	466,391				State Hospital Bond Payments
380 JOB SERVICE NORTH DAKOTA	20,000		20,000			Special Assessments
530 DEPT OF CORRECT AND REHAB	78,476	78,476				JRCC - Debt Service - 2005A
530 DEPT OF CORRECT AND REHAB	452,148	452,148				JRCC MRCC - Debt Serv - 2003B (Phase II)
530 DEPT OF CORRECT AND REHAB	1,019,076	1,019,076				NDSP-Debt Serv-1998B Bonds
530 DEPT OF CORRECT AND REHAB	1,002,963	1,002,963				NDSP - Debt Service - 2003A
530 DEPT OF CORRECT AND REHAB	252,194	252,194				YCC - Debt Service (Gymnasium 1998A)
530 DEPT OF CORRECT AND REHAB	285,165	285,165				YCC - Debt Service t (Pine Cottage 2000A)
540 ADJUTANT GENERAL	70,667	70,667				Bond Payment (Grand Forks Armory)
540 ADJUTANT GENERAL	35,000	35,000				Payment in lieu of taxes
540 ADJUTANT GENERAL	150,000	150,000				Special Assessments - City of Fargo
665 ND STATE FAIR	210,000	210,000				Biennial Bond Payment
701 HISTORICAL SOCIETY	331,762	298,429		33,333		Archives and Chateau Interpretative Ctr
720 GAME AND FISH DEPARTMENT	100,000			100,000		Game and Fish Land Acquisition
720 GAME AND FISH DEPARTMENT	900,000			900,000		In Lieu of Tax Payments
770 WATER COMMISSION	13,992,714			13,992,714		Bond Payments
770 WATER COMMISSION	39,491,222		20,829,000	18,662,222		NAWS and SWPP
801 DEPT OF TRANSPORTATION	2,028,286			2,028,286		Bond Payment
801 DEPT OF TRANSPORTATION	510,036,190		378,208,600	131,827,590		Other Capital Payments
	\$ 594,062,830	\$ 20,388,632	\$ 399,430,605	\$ 174,243,593	\$ -	