

**Economic
Development**



*"Building our future in North Dakota involves the task of working on six pillars. As we build today, we know that the future is someplace we will call home tomorrow. Brick by brick, let's build our future together in North Dakota."
Governor John Hoeven*

Agriculture



TECHNOLOGY



education



**Energy
Development**



Quality of Life



State of North Dakota

Legislative Appropriations 2009-2011 Biennium

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

Visit the ND State web site at www.nd.gov
and
Fiscal Management's web site at www.nd.gov/fiscal



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of North Dakota

For the Biennium Beginning

July 1, 2007

Olivier S. Cox

President

Jeffrey R. Emery

Executive Director

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EXECUTIVE SUMMARY

Governor John Hoeven's budget recommendation for the 2009-2011 biennium centered around funding budget priorities, investing in one-time capital needs, providing tax relief, and building reserves. The budget recommendation included leaving over \$1.2 billion in reserves, on-going spending that was less than on-going revenues, one-time capital investments of \$357.2 million, and \$400 million in 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 increase by more than 50 percent.

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

- providing property and income tax relief;
- strengthening K-12 instructional adequacy and teacher compensation;
- achieving the long-sought goal of the state funding at least 70 percent of the cost of K-12 education;
- enhancing needs-based tuition assistance for higher education students;
- using general fund dollars for transportation infrastructure;
- supporting agriculture research and energy development;
- funding a major expansion of the State Penitentiary facility;
- proposing a state employee compensation plan including equity funding;
- enhancing programs benefiting members of the National Guard and veterans;
- providing additional assistance for our most vulnerable citizens; and
- improving reimbursement rates to healthcare providers.

In total, the general fund budget recommendation was \$3.111 billion and the entire budget recommendation, including federal and special funds, was \$7.710 billion. The 2009 Legislative Assembly increased the Governor's total budget by \$1.139 billion or 14.8 percent. A large part of the increases from the Governor's recommendation to the legislative appropriation is a result of the American Recovery and Reinvestment Act (ARRA), also known as the federal stimulus package. ARRA was signed into law on February 17, 2009 and those dollars were incorporated into appropriation bills.

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

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2007-2009 AND 2009-2011 LEGISLATIVE APPROPRIATIONS AND 2009-2011 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2007-2009 Legislative Appropriation</u>		<u>2009-2011 Executive Recommendation</u>		<u>2009-2011 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	\$3,102,822	\$3,202,822	\$3,489,358	\$3,489,358	\$3,447,358	\$108,147,037
108 Office of the Secretary of State	5,364,692	14,238,557	6,140,630	15,055,608	6,111,588	18,427,264
110 Office of Management and Budget ¹	73,348,944	113,578,059	46,709,182	60,485,015	41,107,196	57,619,610
112 Information Technology Department	11,659,411	124,666,181	21,084,859	139,599,433	19,105,785	228,276,839
117 Office of the State Auditor	5,656,016	8,241,790	6,872,229	9,185,031	6,662,229	8,975,031
120 Office of the State Treasurer	3,093,470	3,093,470	2,302,961	2,302,961	2,228,985	2,228,985
125 Office of the Attorney General	24,432,081	45,334,002	29,815,200	51,724,177	28,060,432	53,121,841
127 Office of the State Tax Commissioner	32,538,153	35,338,153	37,017,791	37,127,791	44,046,586	44,242,586
140 Office of Administrative Hearings	0	1,642,863	0	1,836,105	0	1,498,712
188 Comm on Legal Counsel for Indigents	9,509,991	11,210,696	9,475,383	11,928,876	9,470,148	11,420,365
190 Retirement and Investment Office	0	3,352,908	5,000,000	8,731,351	0	3,705,650
192 Public Employees Retirement System	0	15,243,302	13,000	6,212,136	13,000	6,146,488
Total Executive Branch	\$168,705,580	\$379,142,803	\$167,920,593	\$347,677,842	\$160,253,307	\$543,810,408
Legislative and Judicial Branches						
150 Legislative Assembly	\$14,177,129	\$14,177,129	\$16,338,537	\$16,338,537	\$16,014,554	\$16,014,554
160 Legislative Council	8,748,442	8,818,442	10,075,195	10,145,195	10,439,503	10,509,503
180 Judicial Branch	66,935,878	69,135,518	82,362,546	84,407,353	82,590,015	84,634,822
Total Legislative and Judicial Branches	\$89,861,449	\$92,131,089	\$108,776,278	\$110,891,085	\$109,044,072	\$111,158,879
Total General Government	\$258,567,029	\$471,273,892	\$276,696,871	\$458,568,927	\$269,297,379	\$654,969,287
Education						
Elementary, Secondary, and Other Education						
201 Department of Public Instruction ²	\$715,423,275	\$1,041,091,513	\$820,302,441	\$1,180,107,587	\$1,109,405,590	\$1,623,026,744
226 Land Department	0	9,124,124	0	23,806,148	0	13,792,561
250 State Library	3,977,513	5,858,766	4,680,390	6,620,085	4,601,028	6,528,864
252 School for the Deaf	5,390,438	6,429,456	6,094,621	7,429,082	7,099,896	9,266,346
253 ND Vision Services/School for the Blind	2,917,936	3,761,793	3,340,671	4,161,253	3,492,068	4,307,970
270 Dept. of Career & Technical Education	21,804,036	32,839,668	26,165,896	36,928,778	25,941,008	36,703,890
Total Elementary, Secondary, and Other Educ.	\$749,513,198	\$1,099,105,320	\$860,584,019	\$1,259,052,933	\$1,150,539,590	\$1,693,626,375
Higher Education						
215 North Dakota University System Office	\$68,601,118	\$74,718,648	\$108,080,088	\$112,149,646	\$88,758,682	\$93,507,640
227 Bismarck State College	20,695,572	26,429,622	26,965,129	27,374,629	27,788,123	28,197,623
228 Lake Region State College	6,636,952	9,644,552	10,337,834	10,337,834	10,703,599	13,313,519
229 Williston State College	6,579,702	8,879,702	9,513,851	18,888,851	9,775,476	25,150,476
230 University of North Dakota	115,120,705	193,040,705	144,486,043	187,376,043	134,516,002	196,135,002
232 UND Medical Center	34,488,501	34,488,501	39,932,875	39,932,875	41,115,401	41,115,401
235 North Dakota State University	98,302,791	144,802,791	127,545,474	185,645,474	128,415,664	186,515,664
238 ND State College of Science	29,126,813	39,211,233	38,038,068	45,174,068	39,094,630	46,230,630
239 Dickinson State University ³	18,024,873	26,024,873	23,999,835	23,999,835	24,919,599	25,269,599

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

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<u>Agency</u>	<u>2007-2009 Legislative Appropriation</u>		<u>2009-2011 Executive Recommendation</u>		<u>2009-2011 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>
240 Mayville State University	11,205,028	12,105,028	18,506,022	22,174,522	18,707,055	22,375,555
241 Minot State University	38,267,401	39,674,016	38,766,984	56,016,984	39,565,688	66,815,688
242 Valley City State University	14,146,372	16,346,372	17,572,585	36,072,585	18,931,338	37,431,338
243 Minot State University - Bottineau	4,918,250	5,170,250	6,624,391	8,624,391	7,149,118	9,149,118
244 North Dakota Forest Service	2,535,546	3,533,032	3,855,768	4,853,254	3,855,768	4,853,254
Total Higher Education	\$468,649,624	\$634,069,325	\$614,224,947	\$778,620,991	\$593,296,143	\$796,060,507
Total Education	\$1,218,162,822	\$1,733,174,645	\$1,474,808,966	\$2,037,673,924	\$1,743,835,733	\$2,489,686,882

Health and Human Services

301 ND Department of Health	\$21,517,033	\$172,112,310	\$21,735,138	\$183,231,185	\$27,081,665	\$204,938,196
305 Tobacco Control Advisory Committee	\$0	\$0	\$0	\$18,600,000	\$0	\$12,882,000
313 Veterans Home	4,125,266	34,039,818	5,161,253	16,628,864	16,751,722	33,587,020
316 Indian Affairs Commission	566,258	571,258	687,185	687,185	682,585	700,585
321 Department of Veterans Affairs	866,772	866,772	1,006,054	1,006,054	1,031,487	1,031,487
325 Department of Human Services	591,962,788	1,882,047,418	721,512,545	2,262,086,961	650,645,814	2,287,745,951
360 Protection and Advocacy Project	913,287	4,053,516	1,805,940	4,727,907	1,555,815	4,543,318
380 Job Service North Dakota	1,746,960	63,411,131	1,765,442	63,696,582	1,565,442	71,370,286
Total Health and Human Services	\$621,698,364	\$2,157,102,223	\$753,673,557	\$2,550,664,738	\$699,314,530	\$2,616,798,843

Regulatory

401 Office of the Insurance Commissioner	\$0	\$14,455,124	\$0	\$15,861,006	\$0	\$16,058,934
405 Industrial Commission	11,756,004	81,148,350	15,756,796	65,077,880	13,800,254	63,108,738
406 Office of the Labor Commissioner	1,149,250	1,550,591	1,485,451	1,898,202	1,401,583	1,814,334
408 Public Service Commission	4,873,459	12,876,768	5,944,758	16,629,525	5,603,165	16,230,407
412 Aeronautics Commission	550,000	7,072,036	550,000	12,938,082	550,000	12,918,666
413 Dept. of Financial Institutions	0	5,177,422	0	6,197,788	0	6,086,488
414 Securities Department	1,623,355	1,840,554	1,803,295	2,120,494	1,788,362	2,105,561
471 Bank of North Dakota	13,600,000	51,721,867	10,800,000	54,198,350	11,100,000	55,267,274
473 North Dakota Housing Finance Agency	0	41,529,290	0	41,232,188	0	71,344,343
475 North Dakota Mill and Elevator	0	36,765,609	0	40,057,242	0	40,057,242
485 Workforce Safety and Insurance	0	53,241,155	0	54,455,605	0	56,877,605
Total Regulatory	\$33,552,068	\$307,378,766	\$36,340,300	\$310,666,362	\$34,243,364	\$341,869,592

Public Safety

504 Highway Patrol	\$27,895,323	\$39,107,528	\$32,273,403	\$43,167,133	\$31,007,985	\$41,901,715
530 Department of Corrections & Rehab	130,606,873	154,657,825	173,232,683	243,767,072	164,090,829	235,602,574
540 Adjutant General	21,802,813	143,478,486	28,904,609	148,930,557	40,725,214	277,397,085
Total Public Safety	\$180,305,009	\$337,243,839	\$234,410,695	\$435,864,762	\$235,824,028	\$554,901,374

Agriculture, Economic Development, and Extension and Research

Agriculture and Economic Development

601 Dept of Commerce ⁴	\$26,581,965	\$82,340,481	\$34,490,039	\$88,198,900	\$58,476,303	\$196,737,408
602 North Dakota Department of Agriculture	5,789,660	17,177,986	6,934,306	20,801,936	7,467,383	21,561,849

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2007-2009 AND 2009-2011 LEGISLATIVE APPROPRIATIONS AND 2009-2011 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2007-2009 Legislative Appropriation</u>		<u>2009-2011 Executive Recommendation</u>		<u>2009-2011 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>
616 State Seed Department	0	6,166,218	0	6,636,802	0	6,805,495
665 North Dakota State Fair	1,167,150	1,167,150	17,697,150	17,697,150	15,697,150	18,697,150
670 Racing Commission	120,592	407,290	412,576	442,576	295,000	325,000
Total Agriculture and Economic Development	\$33,659,367	\$107,259,125	\$59,534,071	\$133,777,364	\$81,935,836	\$244,126,902
Extension and Research						
627 Upper Great Plains Transportation Institute	\$1,209,840	\$27,571,521	\$1,589,793	\$23,326,992	\$1,589,793	\$26,326,992
628 Branch Research Centers	11,301,508	25,017,019	11,902,190	26,169,006	12,367,190	27,559,006
630 NDSU Extension Service	18,402,113	42,265,835	21,475,080	47,403,957	22,000,412	47,929,289
638 Northern Crops Institute	1,143,312	2,622,969	1,439,221	3,037,486	1,439,221	3,037,486
640 NDSU Main Research Center	44,235,584	87,336,348	60,188,875	105,002,142	60,217,151	105,930,418
649 Agronomy Seed Farm	0	1,230,162	0	1,275,238	0	1,275,238
Total Extension and Research	\$76,292,357	\$186,043,854	\$96,595,159	\$206,214,821	\$97,613,767	\$212,058,429
Total Ag, Econ Dev, Ext & Research	\$109,951,724	\$293,302,979	\$156,129,230	\$339,992,185	\$179,549,603	\$456,185,331
Natural Resources						
701 State Historical Society	\$10,232,603	\$15,551,369	\$30,834,807	\$46,527,317	\$52,174,252	\$68,518,089
709 Council on the Arts	1,165,799	2,454,117	1,318,173	2,763,659	1,368,734	3,104,220
720 Game and Fish Department	0	57,841,039	0	59,566,703	0	59,463,938
750 Department of Parks and Recreation	14,461,291	28,009,408	14,215,868	26,083,922	15,333,959	28,282,013
770 State Water Commission	13,877,247	175,999,263	12,493,198	311,001,398	13,823,899	325,879,708
Total Natural Resources	\$39,736,940	\$279,855,196	\$58,862,046	\$445,942,999	\$82,700,844	\$485,247,968
Transportation						
801 Department of Transportation	\$0	\$903,157,500	\$120,000,000	\$1,130,182,250	\$4,600,000	\$1,248,615,588
Total Transportation	\$0	\$903,157,500	\$120,000,000	\$1,130,182,250	\$4,600,000	\$1,248,615,588
TOTAL ALL BUDGETS	\$2,461,973,956	\$6,482,489,040	\$3,110,921,665	\$7,709,556,147	\$3,249,365,481	\$8,848,274,865

¹ Includes \$43.15 million appropriated to OMB for the following transfers from the general fund to: \$41.0 million to the State Penitentiary land fund; \$2.0 million to the Workforce enhancement fund; and, \$150,000 to the environment and rangeland protection fund.

² DPI - HB 1013 includes a \$5.0 million contingent appropriation to provide additional transportation payments if revenues exceed the legislative forecast by more than \$30.0 million.

³ Dickinson State University - SB 2003 includes an \$8.8 million contingent general fund appropriation for a renovation and addition to Stoxen Library. The funding is only available if actual general fund revenues exceed legislative estimates by \$2.5 million.

⁴ Department of Commerce - SB 2018 includes \$5.0 million contingent general fund appropriation for Centers of Excellence. The funding is only available if general fund revenue exceed legislative estimate by \$5.0 million.

One-Time Expenditures for 2009-11

	Executive Budget	Legislative Budget		
	Gen.Fund	Gen. Fund	Perm. Oil	Agency Total
108 Secretary of State				
Database and processing platform migration	\$780,000	\$780,000		\$780,000
Interest transfer to election fund		25,000		25,000
Federal matching funds		30,000		30,000
Agency Total	\$780,000	\$835,000		\$835,000
110 OMB				
Centers of Excellence	1\ \$15,000,000			\$0
Prairie Public Digital Towers	2,016,200	1,008,100	1,008,100	2,016,200
ConnectND	1,000,000	1,000,000		1,000,000
Facility Management repairs and equipment	3,670,000	2,850,000		2,850,000
Administration projects	156,041	126,041		126,041
Agency Total	\$21,842,241	\$4,984,141	\$1,008,100	\$5,992,241
112 ITD				
Longitudinal Database	\$2,038,036	\$2,263,883		\$2,263,883
K-12 increased bandwidth	1,200,000	1,200,000		1,200,000
K-12 PowerSchool	936,638	353,600		353,600
CJIS projects	369,748	269,748		269,748
Centers for Distance Education software update	100,000	100,000		100,000
Agency Total	\$4,644,422	\$4,187,231		\$4,187,231
117 State Auditor				
Electronic working papers	\$150,000	\$150,000		\$150,000
Agency Total	\$150,000	\$150,000		\$150,000
127 Tax Department				
Integrated tax system payment	\$5,356,702	\$10,230,247		\$10,230,247
On-site support for GenTax system	1,134,000	1,048,000		1,048,000
Oil and Gas tax integration to GenTax	1,500,000	1,500,000		1,500,000
Agency Total	\$7,990,702	\$12,778,247		\$12,778,247
150 Legislative Assembly				
Legislative applications system replacement	\$3,910,827	\$3,910,827		\$3,910,827
Equipment replacement and room improvements	1,802,047	1,092,500		1,092,500
Agency Total	\$5,712,874	\$5,003,327		\$5,003,327
160 Legislative Council				
Office improvements and equipment	\$70,000	\$70,000		\$70,000
State employee compensation study		100,000		100,000
Agency Total	\$70,000	\$170,000		\$170,000
180 Judicial Branch				
Unified case management system replacement	\$8,255,341	\$7,258,129		\$7,258,129
Parenting coordinator training		52,040		52,040
Management reserve fund-IT contingency		600,000		600,000
Office equipment and furniture		288,124		288,124
IT equipment		109,098		109,098
Agency Total	\$8,255,341	\$8,307,391		\$8,307,391

One-Time Expenditures for 2009-11

	Executive Budget	Legislative Budget		
	Gen.Fund	Gen. Fund	Perm. Oil	Agency Total
190 RIO				
Teachers Fund for Retirement	\$5,000,000	\$0		\$0
Agency Total	\$5,000,000	\$0		\$0
201 DPI				
STARS school data collection system rewrite	\$500,000	\$500,000		\$500,000
Personal finance curriculum		25,000		25,000
ESPB national board certification endowment fund		500,000		500,000
Funding for Geographic Alliance	125,000	226,000		226,000
Agency Total	\$625,000	\$1,251,000		\$1,251,000
215 NDUS				
Campus capital projects and master plans	\$49,928,246	\$39,008,248	\$10,400,000	\$49,408,248
Deferred maintenance	20,000,000	20,000,000		20,000,000
Emergency preparedness and security	4,000,000	0		0
Electronic medical records-UND Medical School	225,000	225,000		225,000
DSU Theodore Roosevelt Center		750,000		750,000
MiSU BC greenhouse repair		280,000		280,000
Valley City-flood related expenditures		317,000		317,000
DSU Operations			750,000	750,000
Agency Total	\$74,153,246	\$60,580,248	\$11,150,000	\$71,730,248
252 ND School for the Deaf				
Facility master plan	\$41,000	\$41,000		\$41,000
Trades building remodel		835,000		835,000
Virtual services business plan	25,000	25,000		25,000
Agency Total	\$66,000	\$901,000		\$901,000
253 Vision Services - School for the Blind				
Equipment	\$39,200	\$39,200		\$39,200
Extraordinary repairs	31,000	31,000		31,000
Agency Total	\$70,200	\$70,200		\$70,200
301 Health Department				
Grant for mobile dental care service	\$0	\$196,000		\$196,000
Contingent transfer - Community Health Trust Fund	0	2,405,371		2,405,371
Regional public health network pilot project	0	275,000		275,000
Immunization services	0	1,200,000		1,200,000
Agency Total	\$0	\$4,076,371		\$4,076,371
313 Veterans Home				
Electronic health record system	\$133,600	\$98,400		\$98,400
Construction project manager	110,088	90,088		90,088
Carpet and floor tile repairs	20,000	0		0

One-Time Expenditures for 2009-11

	Executive Budget	Legislative Budget		
	Gen.Fund	Gen. Fund	Perm. Oil	Agency Total
General funding of new salary positions		502,240		502,240
Veterans Home building		7,944,991		7,944,991
Exterior finishings - new building		350,000		350,000
Geothermal heating - new building		3,039,414		3,039,414
Agency Total	\$263,688	\$12,025,133		\$12,025,133
325 DHS				
Extraordinary repairs	\$3,943,692	\$3,443,692		\$3,443,692
Equipment over \$5,000	352,606	352,606		352,606
Developmental disabilities rate study		100,000		100,000
Supplemental payments for critical access hospitals		400,000		400,000
Agency Total	\$4,296,298	\$4,296,298		\$4,296,298
405 Industrial Commission				
Renewable energy program	\$5,000,000	\$3,000,000		\$3,000,000
Sand and methane projects	93,152	93,152		93,152
State facility lignite feasibility demonstration project		400,000		400,000
Recruitment and retention bonuses		185,000		185,000
Agency Total	\$5,093,152	\$3,678,152		\$3,678,152
406 Labor Commissioner				
Discrimination study	\$60,000	\$0		\$0
Agency Total	\$60,000	\$0		\$0
471 Bank of ND				
Biofuels PACE	\$1,400,000	\$700,000		\$700,000
Ag PACE disaster program		1,000,000		1,000,000
Agency Total	\$1,400,000	\$1,700,000		\$1,700,000
504 Highway Patrol				
Capitol security upgrade	\$80,000	\$80,000		\$80,000
Commercial vehicle information system	0	100,000		100,000
Weigh station repairs	100,000	100,000		100,000
Agency Total	\$180,000	\$280,000		\$280,000
530 DOCR				
Prison construction	2\ \$22,465,804	\$19,465,804		\$19,465,804
Extraordinary repairs	1,525,000	1,372,519		1,372,519
Equipment	636,000	595,500		595,500
Agency Total	\$24,626,804	\$21,433,823		\$21,433,823
540 Adjutant General				
DES tech. projects and equipment/software purchases	3\ \$5,596,847	\$5,285,347		\$5,285,347
National Guard construction and maintenance projects	3\ 976,000	0		0
Veterans' bonus for multiple deployments	500,000	500,000		500,000
2009 flood disaster (SB2444)	4\	12,500,000		12,500,000
Northwood tornado disaster grants (HB1015)		250,000		250,000
Agency Total	\$7,072,847	\$18,535,347		\$18,535,347

One-Time Expenditures for 2009-11

	Executive Budget	Legislative Budget		
	Gen.Fund	Gen. Fund	Perm. Oil	Agency Total
601 Commerce				
Alternative energy and energy efficiency programs	\$2,000,000	\$1,000,000		\$1,000,000
Transfer to Workforce Enhancement fund	2,000,000	1,000,000		1,000,000
Matching grants for childcare options (SB 2225)	3,500,000	1,820,000		1,820,000
Tourism grant to promote U.S.S. Bismarck	100,000	100,000		100,000
Centers of Excellence (SB2018)		15,000,000		15,000,000
Centers of Excellence (HB 1015)		4,450,000		4,450,000
Lewis & Clark Foundation Grant		1,500,000		1,500,000
Theodore Roosevelt Medora Foundation Grant		500,000		500,000
Best practices review		50,000		50,000
Study of tax exempt property		21,500		21,500
Equine study (HB 1496)		50,000		50,000
Great Plains Research Center (HB 1350)		5,000,000		5,000,000
Agency Total	\$7,600,000	\$30,491,500		\$30,491,500
628 Branch Research Centers				
Dickinson Research Experiment Center (DREC)	\$0		\$925,000	\$925,000
Agency Total	\$0		\$925,000	\$925,000
630 Extension Service				
Interactive video equipment upgrade	\$132,000	\$0		\$0
Agency Total	\$132,000	\$0		\$0
640 Main Research Center				
Capital projects for branch and research centers	\$17,000,000	\$17,000,000		\$17,000,000
Deferred maint. for branch and research centers	500,000	450,000		450,000
Wine and grape research committee (SB2373)	0	250,000		250,000
Agency Total	\$17,500,000	\$17,700,000		\$17,700,000
665 State Fair				
Grandstand	5\ 17,000,000	15,000,000		15,000,000
Agency Total	\$17,000,000	\$15,000,000		\$15,000,000
701 Historical Society				
Heritage Center expansion	\$18,000,000	\$39,700,000		\$39,700,000
New exhibit development	330,000	330,000		330,000
Compact shelving for archives	350,000	350,000		350,000
Extraordinary repairs and small projects	795,000	666,500		666,500
Marketing and signage	75,000	75,000		75,000
Agency Total	\$19,550,000	\$41,121,500		\$41,121,500

One-Time Expenditures for 2009-11

	Executive Budget	Legislative Budget		Agency Total
	Gen.Fund	Gen. Fund	Perm. Oil	
709 Council on the Arts				
Plains Art Museum grant	\$0	\$57,450		\$57,450
Agency Total		\$57,450		\$57,450
750 Parks & Recreation				
International Peace Garden	\$55,000	\$141,600		\$141,600
IPG loan repayment		1,850,000		1,850,000
Community grant program	700,000	400,000		400,000
Signage		20,000		20,000
Capital projects	2,359,768	2,359,768		2,359,768
Agency Total	\$3,114,768	\$4,771,368		\$4,771,368
770 State Water Commission				
Ray/Tioga, Burke/Divide/Williams, Wildrose and Stanley water project:	\$0		\$2,792,000	\$2,792,000
Agency Total	\$0		\$2,792,000	\$2,792,000
801 DOT				
General fund transfer for infrastructure projects	\$120,000,000	\$4,600,000		\$4,600,000
Agency Total	\$120,000,000	\$4,600,000	\$0	\$4,600,000
Total	\$357,249,583	\$278,984,727	\$15,875,100	\$294,859,827

- 1\ Legislative appropriation for 2009-11 included in Department of Commerce appropriation (HB2018).
- 2\ In 2007, SB2030 provided an additional \$44,534,196 from the state penitentiary land fund for prison construction.
- 3\ The Legislative Assembly appropriated federal stimulus dollars for certain projects in lieu of the general fund dollars recommended by the Governor. These appropriations are reflected on a separate schedule within this book.
- 4\ In addition to this appropriation, SB2012 transferred \$43.0 million from the general fund into the newly created state disaster relief fund and provided \$43.0 million special fund authority to the Adjutant General for grants to political subdivisions.
- 5\ The Legislative Assembly also provided \$3.0 million special fund authority for the construction of the state fair grandstand.

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007 Legislatively Authorized FTE	2007-2009 Legislatively Authorized FTE	2009-2011 Executive Recommendation	2009-2011 Legislatively Authorized FTE	Change from 2007-2009 to 2009-2011
General Government						
<i>Executive Branch</i>						
101 Office of the Governor		18.00	18.00	18.00	18.00	0.00
108 Office of the Secretary of State		27.00	27.00	28.00	28.00	1.00
110 Office of Management and Budget		131.50	132.50	133.50	132.50	0.00
112 Information Technology Department	1	265.20	306.20	330.20	328.20	22.00
117 Office of the State Auditor		55.00	54.80	51.80	51.80	(3.00)
120 Office of the State Treasurer		6.00	7.00	7.00	7.00	0.00
125 Office of the Attorney General	2	185.30	188.50	198.50	202.50	14.00
127 Office of the State Tax Commissioner		133.00	133.00	133.00	133.00	0.00
140 Office of Administrative Hearings		8.00	8.00	8.00	5.00	(3.00)
188 Commission on Legal Counsel of Indigents		19.00	29.00	33.00	30.00	1.00
190 Retirement and Investment Office		17.00	17.00	17.00	17.00	0.00
192 Public Employees Retirement System		29.00	33.00	33.00	33.00	0.00
Total Executive Branch		894.00	954.00	991.00	986.00	32.00
<i>Legislative and Judicial Branches</i>						
150 Legislative Assembly		0.00	0.00	0.00	0.00	0.00
160 Legislative Council		33.00	33.00	33.00	34.00	1.00
180 Judicial Branch		332.00	338.00	349.00	342.00	4.00
Total Legislative and Judicial Branches		365.00	371.00	382.00	376.00	5.00
Education						
<i>Elementary, Secondary, and Other Education</i>						
201 Department of Public Instruction		92.75	94.75	99.75	99.75	5.00
226 State Land Department		18.75	18.75	21.75	21.75	3.00
250 State Library		28.75	29.75	29.75	29.75	0.00
252 School for the Deaf		49.19	43.94	43.94	43.94	0.00
253 ND Vision Services/School for the Blind		26.95	28.00	28.00	29.50	1.50
270 Dept. of Career and Technical Education		27.50	27.50	28.50	28.50	1.00
Total Elementary, Secondary and Other Education		243.89	242.69	251.69	253.19	10.50
<i>Higher Education</i>						
215 North Dakota University System Office		20.00	20.00	21.30	21.30	1.30
227 Bismarck State College		115.15	105.38	111.93	110.93	5.55
228 Lake Region State College		36.21	30.49	33.97	32.97	2.48
229 Williston State College		44.98	39.80	42.10	41.10	1.30
230 University of North Dakota		623.76	637.24	627.28	625.28	(11.96)
232 UND Medical School		178.56	157.74	144.92	144.92	(12.82)
235 ND State University		483.99	498.12	517.76	515.76	17.64
238 ND State College of Science		179.88	156.77	158.24	157.24	0.47
239 Dickinson State University		108.98	121.60	91.10	91.10	(30.50)
240 Mayville State University		66.80	55.89	55.39	55.39	(0.50)
241 Minot State University		198.82	184.83	190.82	189.82	4.99
242 Valley City State University		90.57	78.15	86.86	86.86	8.71
243 Minot State University - Bottineau		34.32	31.11	32.75	31.75	0.64
244 ND Forest Service		12.40	19.47	27.00	27.00	7.53
Total Higher Education		2,194.42	2,136.59	2,141.42	2,131.42	(5.17)

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007	2007-2009	2009-2011	2009-2011	Change from
		Legislatively Authorized FTE	Legislatively Authorized FTE	Executive Recommendation	Legislatively Authorized FTE	2007-2009 to 2009-2011
Health and Human Services						
301 ND Department of Health		319.50	331.50	343.50	343.50	12.00
305 Tobacco Prevention and Control Committee		0.00	0.00	0.00	4.00	4.00
313 Veterans Home		90.97	92.37	120.72	120.72	28.35
316 Indian Affairs Commission		3.00	4.00	4.00	4.00	0.00
321 Department of Veterans Affairs		6.00	7.00	7.00	7.00	0.00
325 Department of Human Services		2,039.43	2,223.38	2,237.38	2,216.88	(6.50)
360 Protection and Advocacy Project		25.50	27.50	28.50	28.50	1.00
380 Job Service North Dakota		355.80	308.00	284.05	284.05	(23.95)
Total Health and Human Services		2,840.20	2,993.75	3,025.15	3,008.65	14.90
Regulatory						
401 Office of the Insurance Commissioner		46.50	46.50	46.50	45.50	(1.00)
405 Industrial Commission	3	51.37	55.37	60.06	61.06	5.69
406 Office of the Labor Commissioner		11.00	11.00	12.00	12.00	1.00
408 Public Service Commission		41.00	41.00	44.00	43.00	2.00
412 Aeronautics Commission		6.00	6.00	6.00	6.00	0.00
413 Dept of Banking and Financial Institutions		27.00	27.00	29.00	29.00	2.00
414 Securities Department		9.00	9.00	9.00	9.00	0.00
471 Bank of North Dakota		178.50	176.50	171.50	176.50	0.00
473 North Dakota Housing Finance Agency		43.00	43.00	47.00	46.00	3.00
475 North Dakota Mill and Elevator Association		127.00	131.00	131.00	131.00	0.00
485 Workforce Safety and Insurance	4	223.14	237.14	237.14	237.14	0.00
Total Regulatory		763.51	783.51	793.20	796.20	12.69
Public Safety						
504 Highway Patrol		186.00	193.00	196.00	194.00	1.00
512 Department of Emergency Services	5	49.00	0.00	0.00	0.00	0.00
530 Department of Corrections and Rehabilitation		677.28	711.29	743.29	735.29	24.00
540 Office of the Adjutant General	5	144.00	232.00	232.00	232.00	0.00
Total Public Safety		1,056.28	1,136.29	1,171.29	1,161.29	25.00
Agriculture and Economic Development						
601 Department of Commerce		62.00	66.00	68.00	68.00	2.00
602 North Dakota Department of Agriculture		61.00	67.50	70.50	74.50	7.00
616 State Seed Department		30.00	30.00	30.00	30.00	0.00
627 Upper Great Plains Transportation Institute		48.50	51.95	53.95	53.95	2.00
628 Branch Research Centers		87.26	95.56	95.56	97.26	1.70
630 NDSU Extension Service		256.86	266.33	267.33	268.63	2.30
638 Northern Crops Institute		10.20	10.20	11.20	11.20	1.00
640 NDSU Main Research Station		345.08	347.39	353.59	352.39	5.00
649 Agronomy Seed Farm		3.00	3.00	3.00	3.00	0.00
665 ND State Fair		0.00	0.00	0.00	0.00	0.00
670 ND Racing Commission		2.00	2.00	2.00	2.00	0.00
Total Agriculture and Economic Development		905.90	939.93	955.13	960.93	21.00

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	Notes	2005-2007 Legislatively Authorized FTE	2007-2009 Legislatively Authorized FTE	2009-2011 Executive Recommendation	2009-2011 Legislatively Authorized FTE	Change from 2007-2009 to 2009-2011
<u>Natural Resources</u>						
701 State Historical Society		57.00	60.00	62.00	62.00	2.00
709 Council on the Arts		5.00	5.00	5.00	5.00	0.00
720 Game and Fish Department		152.00	155.00	157.00	157.00	2.00
750 Department of Parks and Recreation		46.50	50.50	53.00	53.00	2.50
770 State Water Commission		84.00	84.00	86.00	86.00	2.00
Total Natural Resources		344.50	354.50	363.00	363.00	8.50
<u>Transportation</u>						
801 Department of Transportation		1,044.50	1,052.50	1,054.50	1,054.50	2.00
Grand Total FTE		10,652.20	10,964.76	11,128.38	11,091.18	126.42

NOTES:

- 1 Edutech program and FTE moved from NDSU to ITD.
- 2 Does not include 2.00 additional FTE that may be hired, subject to Emergency Commission approval pursuant to Section 12 of HB 1003.
- 3 The 2009-11 legislatively authorized FTE does not include 3.00 FTE contingently approved that will require Emergency Commission approval prior to hiring.
- 4 Does not include 10.00 additional FTE authorized in section 2 of HB1021 providing Workforce Safety and Insurance the administration of the vocational rehabilitation program.
- 5 The Department of Emergency Services was merged into the Office of the Adjutant General in the 2007-09 biennium.

**AMERICAN RECOVERY AND REINVESTMENT ACT
(ARRA) OF 2009**

The American Recovery and Reinvestment Act (ARRA) of 2009 was passed by Congress and signed into law by the President on February 17, 2009. On March 5, 2009, representatives of the North Dakota Office of Management and Budget presented Governor Hoeven's recommendations on amendments to appropriations bills that would be necessary as a result of ARRA funding.

Governor Hoeven's recommendations combined ARRA and state general fund dollars to continue to invest in the state's priorities, like education, economic development, infrastructure, research and development, and jobs training programs.

It is anticipated that programs managed by North Dakota state government will receive over \$560.0 million in ARRA funds. The largest amount of ARRA funds will be received by the Department of Transportation, followed by the Department of Public Instruction, Department of Human Services and Division of Community Services.

Other agencies receiving funds through ARRA are as follows:

- Department of Health
- Job Service North Dakota
- Department of Corrections
- Office of Attorney General
- Water Commission
- Housing Finance Agency
- Council on the Arts

- Office of Management and Budget
- University of North Dakota
- Minot State University
- Indian Affairs Commission

In addition to the specific ARRA allocations to existing programs and agencies in North Dakota, the Legislature recognized the possibility of agencies applying for competitive grants or being eligible for pass through dollars from another agency. In some cases, agencies were given contingent general fund appropriations should they not receive a competitive grant.

Appropriated amounts for direct allocations to agencies, appropriation authority for pass through dollars, potential competitive grants, and potential competitive grants with contingency general fund appropriation are summarized in the following four charts. All ARRA funds are considered one-time funding.

The State of North Dakota is committed to accountability and transparency regarding ARRA funding. A website at <http://www.nd.gov/recovery> has been developed and will be updated frequently with the status of projects and services receiving funding under this federal legislation.

ARRA Appropriations – 2009-2011

Agency	Project/Program	ARRA Funds Appropriated	Total	
110 Office of Management and Budget	Administrative Costs (HB 1015)*	\$289,494		
	Database of State Expenditures (SB 2018)*	400,000		
	Total Office of Management and Budget		\$689,494	
125 Office of Attorney General (HB 1003)	Edward J. Byrne Memorial Justice Assistance Grant	\$1,652,426		
	Internet Crimes Against Children Task Force	216,174		
	Rural Law Enforcement Assistance Act	390,588		
	Total Office of Attorney General		2,259,188	
201 Department of Public Instruction (HB 1013)	Admin Costs Relating to Federal Fiscal Stimulus Payment to Schools (HB 1013)*	\$326,348		
	Early Childhood Learning Council Operating Expenses (HB 1013)*	20,000		
	English Language Learner Grant to a Regional Education Association (SB 2212)*	40,000		
	Fiscal Stabilization Funds - Education*	85,644,337		
	Title I - Part A	27,415,262		
	Title I - School Improvement	7,145,000		
	Title II - Part D - Technology	3,209,375		
	Individuals with Disabilities Education Act	27,413,988		
	McKinney-Vento Homeless Assistance Act	150,000		
	National School Lunch Program	230,000		
	The Emergency Food Assistance Program	85,426		
	Total Department of Public Instruction		151,679,736	
	230 University of North Dakota	Education Building (SB 2003)*	\$11,200,000	
		Simulation Laboratory Initiative (SB 2266)*	500,000	
Total University of North Dakota			11,700,000	
241 Minot State University	Swain Hall (SB 2003)*	\$5,000,000	5,000,000	
301 State Department of Health (SB 2004)	Water Quality Management 604(B)	\$194,300		
	Superfund Arsenic Trioxide Project	7,000,000		
	Clean Diesel	1,730,000		
	Clean Water State Revolving Loan Fund	769,564		
	Drinking Water State Revolving Loan Fund	780,000		
	Domestic Violence Sexual Assault Organizations (SB 2004)	511,661		
	Women, Infants, and Children	61,800		
	Total State Department of Health		11,047,325	
	316 Indian Affairs Committee	American Indian Language Preservation Committee (HB 1399)*	\$18,000	18,000
325 Department of Human Services (HB 1012)	Federal Medical Assistance Percentage Increase	\$66,500,000		
	Elderly Nutrition Services	485,000		
	Child Support Incentive Matching Funds	3,200,000		

ARRA Appropriations – 2009-2011

Agency	Project/Program	ARRA Funds Appropriated	Total
	Rehabilitation Services and Disability Assistance and Independent Living	2,043,000	
	Individuals with Disabilities Education Act - Part C	2,140,000	
	Supplemental Nutrition Assistance Program	9,874,747	
	Child Care Development Block Grant (HB 1418)	3,644,000	
	Senior Employment Program	143,288	
	Older Blind	3,170	
	Total Department of Human Services		88,033,205
380 Job Service North Dakota (SB 2016)	Workforce Investment Act	\$5,068,883	
	State Unemployment Insurance and Employment Services Grant	2,984,613	
	Unemployment Compensation Benefit Increase - Administration	1,039,443	
	Total Job Service North Dakota		9,092,939
473 Housing Finance Agency (SB 2014)	HOME Tax Credit Assistance Program	\$4,860,574	
	Federal Low-Income Housing Tax Credit Exchange Program	25,500,000	
	Total Housing Finance Agency		30,360,574
530 Department of Corrections and Rehabilitation (SB 2015)	Crime Victims' Compensation	\$78,313	
	Crime Victims' Assistance	542,000	
	Total Department of Corrections and Rehabilitation		620,313
540 Adjutant General (HB 1016)	Military Energy-Related Maintenance and Repairs	\$2,522,270	
	Boiler Replacement, Construction of East Operations Ctr, & IT Enhance*	1,261,500	
	Total Adjutant General		3,783,770
601 Department of Commerce (SB 2018)	Community Development Block Grant Program	\$1,300,000	
	Community Services Block Grant	4,853,305	
	State Energy Program	24,585,000	
	Energy Efficiency and Conservation Block Grant Program	10,000,000	
	Weatherization Assistance Program	25,266,330	
	Emergency Shelter Grants	2,590,000	
	Total Department of Commerce		68,594,635
709 Council on the Arts (SB 2010)	National Endowment for the Arts	\$290,000	
	Total Council on the Arts		290,000
770 State Water Commission (SB 1020)	Bureau of Reclamation Water Resource Projects (SW Pipeline Project)	\$12,000,000	
	Total State Water Commission		12,000,000
801 Department of Transportation (SB 2012)	Highway Infrastructure Investment	\$170,126,497	
	Transit Programs	5,956,174	
	Total Department of Transportation		176,082,671
	TOTAL ARRA FUNDS APPROPRIATED		\$571,251,850

* Appropriations from the State Fiscal Stabilization Fund (SFSF) will flow through the Governor's Office to the respective state agency.

ARRA Contingent General Fund Appropriations – 2009-2011

Agency	Project/Program	ARRA Funds Appropriated	Total
112 Information Technology Department (SB 2021)	Statewide Longitudinal Data System	\$2,263,883	
	Total Lake Information Technology		\$2,263,883
228 Lake Region State College (SB 2003)	Wind Tower Project	\$2,609,920	
	Total Lake Region State College		2,609,920
301 State Department of Health (SB 2333)	Immunization Services	\$1,200,000	
	Total State Department of Health		1,200,000
313 Veterans Home	Thermal Imager (SB 2007)	\$5,500	
	Electronic Health Records System (SB 2007)	98,400	
	Geothermal Heating System (SB 2075)	3,039,414	
	Total Veteran's Home		3,143,314
530 Department of Corrections and Rehabilitation (SB 2015)	Summer Boiler Replacement	\$225,041	
	Energy Management System Conversion	18,928	
	Heating and Cooling Equipment Replacement	15,574	
	Temporary Housing for Sexual Offenders	160,000	
	Total Department of Corrections and Rehabilitation		419,543
	TOTAL ARRA CONTINGENT GENERAL FUND APPROPRIATIONS		\$9,636,660

ARRA Pass-Through Appropriations – 2009-2011

Originating Agency/Receiving Agency	Project/Program	ARRA Funds Appropriated in Both Agencies
State Department of Health/Department of Public Instruction	Clean Diesel	\$1,730,000
Department of Transportation/Parks & Recreation Department*	Turtle River State Park Pedestrian Bridge	300,000
	Turtle River Scenic Byway Acquisition/Trails	200,000
	Ft. Lincoln Civilian Conservation Corps Building Rehab	300,000
Department of Transportation/State Historical Society	Protective Structure for Locomotive at Camp Hancock	150,000
	Ft. Totten Commissary Exhibit and Signage	385,000
	Geographic Information System Scanning and Integration	150,000
	TOTAL ARRA PASS-THROUGH APPROPRIATIONS	\$3,215,000

* The Parks and Recreation Department was given additional appropriation authority of \$300,000 for Transportation Enhancement dollars for the Fort Lincoln Conservation Corps Building Rehabilitation. However, if awarded, these dollars will not flow through the Parks and Recreation Department budget.

ARRA Competitive Grant Appropriations – 2009-2011

Agency	Project/Program	ARRA Funds Appropriation Authority
112 Information Technology Department (SB 2332)	Health Information Technology	\$80,000,000
230 University of North Dakota (SB 2266)	Nursing Education Consortium	2,000,000
301 State Department of Health (SB 2230)	Domestic Violence Sexual Assault Organizations	1,000,000
313 Veterans Home (SB 2007)	Utility Vehicle	14,691
640 Main Research Center (SB 2020)	Geothermal Heating Systems	700,000
	TOTAL ARRA COMPETITIVE GRANT APPROPRIATIONS	\$83,714,691

EMPLOYEE COMPENSATION

The recommended and approved compensation package includes funds for a 5 percent average salary increase with a minimum increase of \$100 per month effective July 1, 2009, and another 5 percent average salary increase with a minimum increase of \$100 per month effective July 1, 2010. 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 \$825.97 per month per employee. This is an increase of \$167.89, or 25.5 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 0.14 percent, increasing the

state contribution from 9.12 percent to 9.26 percent. This recommendation was approved by the legislature.

In addition to the compensation package noted above, the Governor recommended a \$23.1 million pool to address issues of equity and moving employee salaries closer to market. The \$23.1 million was comprised of \$13.0 million from the general fund and \$10.1 million non-general funds. The legislature approved an equity pool totaling \$16.0 million of which \$9.0 million is from the general fund and \$7.0 million is non-general funds. The Office of Management and Budget (OMB) was responsible for allocating the equity pool based on occupational market disparities, economic growth areas, recruitment and retention challenges, and internal and external pay inequities. The allocation was also to give priority to employees who have been employed by the state for the greatest length of time and are the furthest below their salary range midpoint. OMB was also to consider employee pay comparisons to similar occupational classifications of other North Dakota employers and employers in Montana, South Dakota and Wyoming. A summary of salary equity pool allocations by agency is found on the following page.

Salary Equity Pool Allocations for 2009-11

	General Fund	Other Funds	Total
101 Office of the Governor	\$27,000	\$0	\$27,000
108 Office of the Secretary of State	50,000	0	50,000
110 Office of Management and Budget	90,000	41,034	131,034
112 Information Technology Department	65,000	1,200,000	1,265,000
117 Office of the State Auditor	100,000	0	100,000
120 Office of the State Treasurer	10,000	0	10,000
125 Office of the Attorney General	900,000	140,000	1,040,000
127 Office of the State Tax Commissioner	470,000	0	470,000
201 Department of Public Instruction	50,000	100,000	150,000
250 State Library	50,000	7,500	57,500
252 School for the Deaf	40,000	2,100	42,100
253 ND Vision Services/School for the Blind	18,000	3,000	21,000
270 Dept. of Career and Technical Education	40,000	0	40,000
301 ND Department of Health	150,000	172,000	322,000
313 Veterans Home	90,000	0	90,000
316 Indian Affairs Commission	2,000	0	2,000
325 Department of Human Services	1,500,000	1,150,000	2,650,000
360 Protection and Advocacy Project	170,000	0	170,000
380 Job Service North Dakota	0	400,000	400,000
401 Office of the Insurance Commissioner	0	132,866	132,866
405 Industrial Commission	475,000	9,500	484,500
406 Office of the Labor Commissioner	20,000	0	20,000
408 Public Service Commission	73,000	35,000	108,000
412 Aeronautics Commission	0	14,000	14,000
413 Dept of Banking and Financial Institutions	0	100,000	100,000
414 Securities Department	10,000	0	10,000
471 Bank of North Dakota	0	150,000	150,000
473 North Dakota Housing Finance Agency	0	80,000	80,000
504 Highway Patrol	350,000	0	350,000
530 Department of Corrections and Rehabilitation	3,050,000	0	3,050,000
540 Office of the Adjutant General	20,000	80,000	100,000
602 North Dakota Department of Agriculture	80,000	87,000	167,000
616 State Seed Department	0	22,000	22,000
701 State Historical Society	300,000	28,000	328,000
750 Department of Parks and Recreation	500,000	0	500,000
770 State Water Commission	300,000	30,000	330,000
801 Department of Transportation	0	3,000,000	3,000,000
Engrossed House Bill 1015 Equity Pool	\$9,000,000	\$6,984,000	\$15,984,000
Executive Budget Recommendation	\$13,978,603	\$10,139,782	\$24,281,366

2007 – 2009 SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations were recommended and approved for agencies as follows:

	General Fund	Other Funds	Total
125 Attorney General	94,000	340,000	434,000
230 University of North Dakota	2,858,771		2,858,771
235 North Dakota State University	527,842		527,842
540 Office of Adjutant General	4,822,553		4,822,553
628 Branch Research Centers			
Central Grasslands	13,560		13,560
North Central	22,094		22,094
640 Main Research Center	100,499		100,499
TOTAL	\$8,439,319	\$340,000	\$8,779,319

The supplemental general fund appropriation recommended and approved for the Office of the Attorney General covers shortfalls in litigation fees (\$20,000), and prosecution witness fees (\$74,000). In addition, the Crime Lab was appropriated \$340,000 additional highway safety federal funds.

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 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 loan repayment amount is estimated at \$3,422,553. If funds remain on June 30, 2009, they are to be carried forward into the 2009-11 biennium for the purpose of providing state matching funds for future disasters. In addition, \$1,400,000 was appropriated for expenses incurred for snow emergencies in January 2009.

The supplemental appropriation for NDSU Main Research Center, Central Grasslands Research Center and the North Central Research Center is to fund bond payments on capital projects authorized by the 2005 Legislative Assembly. These payments were inadvertently omitted from the 2007-09 appropriation.

TAX CREDITS

The Governor and the Legislative Assembly worked together to enact permanent property and income tax relief for North Dakotans, as well as provide tax credits for businesses to further stimulate our growing economy.

Tax changes enacted by the 2009 legislature include the following:

- **Property tax relief** - Authorized a mill levy reduction program as recommended by the Commission on Education Improvement and proposed in the Governor's budget. In 2009-11, the mill levy reduction program is funded with a \$295.0 million appropriation from the permanent oil tax trust fund. In addition, \$295.0 million was transferred from the permanent oil tax trust fund to the newly created property tax relief sustainability fund to ensure funding will be available to continue the program for the 2011-13 biennium. Moneys will be distributed through the school funding formula to provide mill levy reduction and property tax relief. This allocation will function separate from the rest of the school funding formula. The allocation of state moneys will directly reduce the amount of money a school district will need to raise locally through property taxes and districts will be required to provide a dollar for dollar reduction in local taxes for each dollar received through the state mill levy reduction program. Excluding federal funds, the allocation of mill levy reduction grants will achieve the long-sought goal of the state funding at least 70 percent of the cost of elementary and secondary education. (SB2199)
- **Income tax relief** – Enacted a new income tax reduction plan. For the 2007-09 biennium, a short-term property tax relief measure enacted by the 2007 legislature provided an individual income tax credit

based on a portion of eligible property taxes paid, resulting in a decrease of \$101.0 million in individual income tax collections deposited in the general fund. This program was authorized for the 2007-09 biennium only and no action was taken to extend it. For the 2009-11 biennium, the legislature supported a new plan to provide individual and corporate income tax relief. The new tax relief plan will reduce individual income tax payments by \$90.0 million and corporate income tax by \$10.0 million for the 2009-11 biennium. (SB2199)

- **Motor vehicle excise tax** – Excluded motor vehicle manufacturers' incentives and rebates from the purchase price in determining the motor vehicle excise tax owed on a new vehicle purchase. This change is anticipated to reduce motor vehicle excise tax collections by \$4.4 million for the 2009-11 biennium. (SB2184)
- **Homestead tax credit** - Expanded the homestead tax credit for elderly and disabled, low-income homeowners and renters by increasing the maximum qualifying income from \$17,500 to \$26,000; increased the maximum true and full value of the homestead that may be exempted from \$75,000 to \$100,000; increased the maximum assets allowed excluding the first \$100,000 unencumbered value of the homestead from \$50,000 to \$75,000; and increased the maximum renter's property tax refund from \$240 to \$400. A fiscal note of \$3.8 million was included with SB2402 to cover the cost of the enhanced program; however, no appropriation was provided for 2009-11. (SB2402)
- **Disabled veterans property tax credit** - Created a disabled veterans property tax credit, and appropriated \$3.0 million from the general fund, to replace the former disabled veterans property tax exemption. Counties will be able to apply to the State for reimbursement of disabled veterans' credits. (SB2201)

- **Wind and renewable energy credits and tax reductions** - Approved an extended property tax reduction and sales and use tax exemption for wind power, as well as an extended income tax credit for the installation of any renewable energy device, including geothermal, solar, wind and biomass. (SB2031, SB2032, and SB2033)
- **Oil extraction taxes** - Provided a streamlined 7 percent oil extraction tax reduction for horizontal wells to promote exploration and development in the Bakken reserve. (HB1235)
- **Income tax credit for employers** - Created a new income tax credit for North Dakota employers for continuing to pay the compensation of a North Dakota employee in the National Guard or U.S. armed forces reserve who is mobilized for federal active duty. (SB 2388)
- **Income tax credit for long-term partnership plan insurance premiums** - Authorized a new income tax credit for individuals with long-term care partnership plan insurance premiums. The credit is equal to the amount of the premiums paid during the tax year, up to a maximum credit of \$250 for each insured individual, which includes only the taxpayer and the taxpayer's spouse. (HB1209)
- **Sales and use tax exemption for telecommunications infrastructure** - Approved a sales and use tax exemption for expanding or constructing telecommunications infrastructure. (SB2040)

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 capital 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*****2007-09**

The 2007-09 biennium began with a general fund balance of \$295.5 million. Total general fund expenditures were estimated at \$2.512 billion, including \$112.3 million supplemental appropriations authorized by the 2009 legislature and \$62.2 million estimated unspent appropriation authority. Based on actual revenue collections for the first twenty-three months of the biennium general fund revenues for the 2007-09 biennium are estimated to be \$2.723 billion.

Throughout the biennium, revenues have consistently exceeded projections. Through May 31, 2009, actual collections exceed the original 2007 legislative forecast by over \$460.0 million, or 22.1 percent. Leading this growth are sales and individual income tax collections, which exceed the legislative forecast by \$133.0 million and \$184.0 million, respectively. Corporate income taxes exceed the legislative forecast by nearly \$85.0 million.

The 2007-09 biennium was a period of intense volatility in the oil and gas industry. The biennium began with oil prices on the rise at around \$68 per barrel and production of 124,000 barrels per day. Price for North Dakota crude continued to climb, setting a new record high of \$136.29 per barrel on July 3, 2008. But the high was short-lived and petroleum prices soon began to plummet. By December 2008, barely six months after setting a record high, North Dakota crude had dropped to below \$30 per barrel. Although production remained high for much of the biennium, setting a new record of 215,700 barrels per day in November 2008, the continued low price eventually caused a decline in production. Near the end of the biennium, price and

production were once again on the rise, with prices in the \$50's and production around 195,000 barrels per day.

Despite the price and production volatility, 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 May 31, 2009, deposits and amounts available for deposit into the permanent oil tax trust fund total \$460.4 million. By the end of the 2007-09 biennium, deposits into the permanent oil tax trust fund are estimated to total \$478.0 million.

2009-11

The estimated June 30, 2009, general fund balance before transfers is projected to be \$506.2 million. NDCC Chapter 54-27.2 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. However, this provision only applies until the fund has reached its statutorily allowed limit of 10.0 percent of general fund appropriations enacted by the most recently adjourned legislature, in this case the 2009-11 biennium appropriations authorized by the 2009 legislature. These statutory provisions will allow for a transfer of \$124.9 million from the general fund to the budget stabilization fund at the end of the 2007-09 biennium, bringing the balance in the fund to \$324.9 million.

Projected general fund revenues are \$2.958 billion for the 2009-11 biennium, \$295.2 million more than the revised estimate for the 2007-09 biennium.

Typically the legislature adopts the latest available revenue forecast developed by the Office of Management and Budget,

Economy.com—the state’s economic forecasting consultant, and the Revenue Advisory Council—an advisory group representing the state’s major economic sectors. However, during the 2009 legislative session, the legislature modified the most recent forecast, developed in February 2009, by reducing forecasted revenues by \$18.6 million for 2007-09 and by \$54.6 million for 2009-11.

Comparing the 2009-11 biennium legislative forecast to the 2007-09 revised forecast:

- Sales tax collections are expected to grow by \$42.9 million, or 4.0 percent.
- Motor vehicle excise tax collections deposited in the general fund are expected to decline by \$39.9 million, or 31.4 percent. However, this decline considers only the general fund portion of motor vehicle collections. Senate Bill 1012 (2009) provides for 25.0 percent of all motor vehicle excise tax collections during the 2009-11 biennium to be transferred to the highway fund, rather than the general fund. This transfer is in place for the 2009-11 biennium only, after which all motor vehicle excise tax collections will again be deposited in the general fund. However, a similar transfer of 10.0 percent of motor vehicle excise tax collections was authorized for the 2007-09 biennium. Considering the state share total motor vehicle excise tax collections, those deposited in both the general fund and the highway fund, a decline of \$25.0 million, or 17.7 percent is anticipated for the 2009-11 biennium.
- Reflecting the health of the state’s labor market growth, individual income tax collections are expected to continue to grow \$41.0 million, or 6.7 percent. This increase is after the impact of two important tax changes. For the 2007-09 biennium, a short-term property tax relief measure enacted by the 2007 legislature provided an individual income tax credit based on a portion of eligible property taxes paid, resulting in a decrease of \$101.0 million in individual income tax collections deposited in the general fund. For the 2009-11 biennium, the legislature supported individual income tax relief, as proposed by the Governor. Senate Bill No. 2199 provides a \$90.0 million reduction in individual income taxes for the 2009-11 biennium.
- Corporate income tax collections, which reached a historic high during the 2007-09 biennium, are anticipated to decline by \$13.8 million, or 5.5 percent. A portion of the decline is related to the corporate income tax relief provisions of 2009 Senate Bill No. 2199, which provides for a \$10.0 million reduction in corporate taxes during the 2009-11 biennium.
- Interest income is anticipated to decline by \$12.2 million, or 31.2 percent in the legislative forecast, due to a decline in interest rates and the balance available to accrue interest to the general fund.
- Transfers to the general fund from the permanent oil tax trust fund are increased to \$435.0 million. Of this amount, \$295.0 million is to fund a comprehensive school district mill levy reduction program to provide permanent property tax relief.
- Transfers from the Bank of North Dakota are reduced from \$60.0 million to \$1.0 million.
- The transfer from the student loan trust fund, which amounted to \$3.1 million in 2007-09 is eliminated for 2009-11.
- The transfer from the State Mill and Elevator, originally budgeted at \$5.0 million for the 2007-09 biennium was removed due to losses incurred by the Mill. For the 2009-11 biennium, the transfer is budgeted in the amount of \$4.7 million. Senate Bill No. 2014 creates a new section to NDCC Chapter 54-18 to provide that the

Industrial Commission shall transfer to the general fund 50.0 percent of the annual earnings and undivided profits of the Mill and Elevator.

- The transfer from the lands and minerals trust fund is anticipated to increase from \$15.0 million to \$35.0 million, primarily as a result of increased mineral income.

Based on the legislative revenue forecast and appropriations, the projected June 30, 2011, general fund ending balance is \$89.7 million.

The state share of oil extraction and gross production tax collections are projected to total \$394.1 million during the 2009-11 biennium. NDCC 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 \$323.1 million will be deposited in the permanent oil tax trust fund.

The permanent oil tax trust fund is anticipated to begin the 2009-11 biennium with a balance of \$475.4 million and end the biennium with a balance of \$52.3 million. Legislatively authorized expenditures from the fund for the 2009-11 biennium include appropriations to higher education, water projects, NDSU Research and Extension, and a \$140.0 million transfer to supplement general fund revenues. Also authorized for 2009-11 is a transfer of \$295.0 million to the general fund for property tax relief and a separate transfer of \$295.0 million to the newly created property tax relief sustainability fund, to be used to fund the property tax relief program for the 2011-13 biennium.

The price of oil is expected to average \$46 per barrel during fiscal year 2010 and \$50 per barrel during 2011, ending the biennium at \$55 per barrel. Oil production is expected to

increase from 205,000 to 210,000 barrels per day during fiscal year 2010. Production is anticipated to continue increasing to 225,000 barrels per day by the end of fiscal year 2011. Current production is averaging around 196,000 barrels per day; the current price for North Dakota crude is around \$60 per barrel.

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 \$5.599 billion other funds appropriation includes the following:

Federal funds	\$3.652 billion
Special funds	<u>1.947</u> billion
Total other funds	\$5.599 billion

Federal funds represent 41.3 percent of the legislative budget and are included, along with state special funds, in the legislatively authorized other funds appropriation. Estimated federal funds increased significantly for 2009-11 due to passage of the federal American Recovery and Reinvestment Act (ARRA). Agencies receiving significant federal funds include the Department of Transportation, Department of Human Services, Department of Public Instruction, Job Service North Dakota, and the Department of Commerce.

Congress sets the amount of federal funds received by states in annual appropriation sessions. The amount indicated above

is the total of agencies' 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 22.0 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 dedicated funds include the Retirement and Investment Office, Public Employees Retirement System, and

investments. The Bank of North Dakota, North Dakota Mill and Elevator Association, Housing Finance Agency, and Workforce Safety & Insurance 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 estimates provided by state agencies and are included as part of the legislatively authorized other funds appropriation.

**General Fund
Status Statement**

	2005-07 Actual ¹	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$68,015,056	\$295,541,176 ¹²	\$381,247,859
Revenues:			
One-time transfers	72,200,000	115,000,000	140,000,000
Ongoing revenues	2,245,459,171	2,607,731,805 ¹³	2,817,803,122
Total revenues	<u>\$2,317,659,171</u>	<u>\$2,722,731,805</u>	<u>\$2,957,803,122</u>
Expenditures:			
Original appropriations - One time	(\$8,871,507)	(\$139,526,649)	(\$278,984,727)
Contingent appropriations - One time		(5,000,000)	
Original appropriations - Ongoing	(1,980,581,116)	(2,317,447,307)	(2,970,380,754)
Supplemental appropriations	(11,084,451)	(112,339,319)	
Estimated unspent authority	13,069,134	\$62,224,701	
Total expenditures	<u>(\$1,987,467,940)</u>	<u>(\$2,512,088,574)</u>	<u>(\$3,249,365,481)</u>
Ending balance before transfers	\$398,206,287	\$506,184,407	\$89,685,500
Transfers and adjustments:			
Adjustments and cash certifications	(\$2,137,742)		
Transfer to budget stabilization fund	(100,527,369)	(\$124,936,548) ¹⁴	
Total transfers and adjustments	<u>(\$102,665,111)</u>	<u>(\$124,936,548)</u>	<u>\$0</u>
Ending Balance	\$295,541,176	\$381,247,859	\$89,685,500

¹ Final revenues and expenditures per state accounting system reports.

¹² Actual July 1, 2007 balance.

¹³ Based on actual revenues through May 31, 2009, and estimated revenues for the remainder of the biennium. Estimated revenues are based on the May 2009 legislative forecast.

¹⁴ Transfer based on 2009-11 biennium general fund appropriations and the statutory cap of 10 percent of appropriations, as defined in NDCC Section 54-27.2-01.

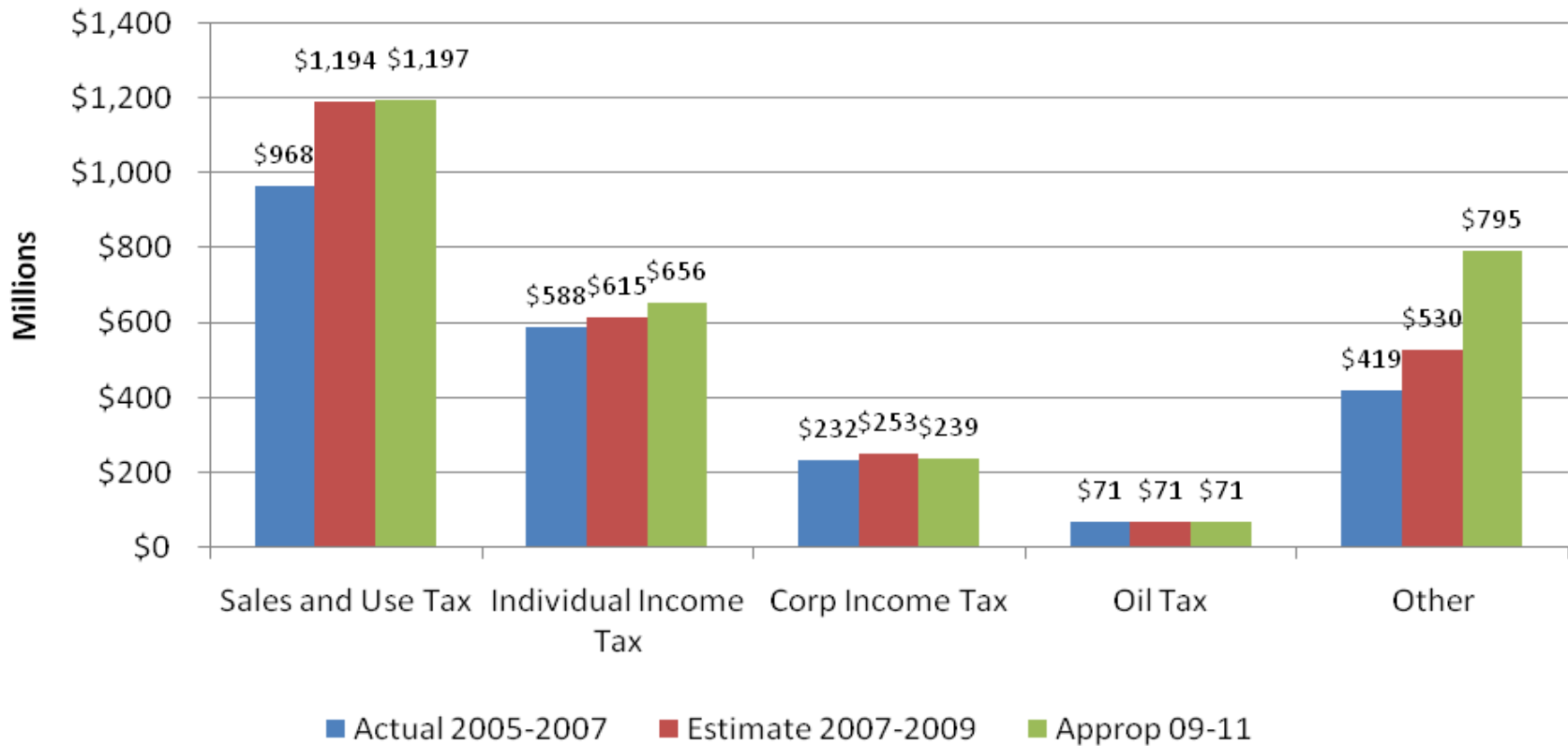
**COMPARISON OF EXECUTIVE AND LEGISLATIVE GENERAL FUND FORECASTS
2007-2009 AND 2009-2011 BIENNIUMS**

REVENUE SOURCE	EXECUTIVE FORECAST FEB. 2009 2007-2009	LEGISLATIVE FORECAST 2007-2009	EXECUTIVE FORECAST FEB. 2009 2009-2011	LEGISLATIVE FORECAST 2009-2011
	Sales and Use Taxes	\$1,086,066,783	\$1,067,072,783	\$1,124,878,000
Motor Vehicle Excise Tax	127,282,056	126,839,256	121,859,000	86,978,250
Individual Income Tax	623,570,328	614,538,328	665,472,000	655,508,000
Corporate Income Tax	259,084,698	252,903,698	258,677,000	239,110,000
Insurance Premium Tax	66,590,545	66,590,545	67,500,000	66,000,000
Financial Institutions Tax	10,261,402	10,261,402	9,500,000	9,500,000
Oil and Gas Production Tax	39,309,315	39,309,315	59,400,000	39,309,315
Oil Extraction Tax	31,690,685	31,690,685	50,600,000	31,690,685
Gaming Tax	20,283,806	20,283,806	20,765,000	16,799,316
Lottery	11,155,000	11,155,000	11,155,000	11,155,000
Cigarette and Tobacco Tax	45,879,687	45,879,687	45,428,000	45,428,000
Wholesale Liquor Tax	13,658,874	13,658,874	13,684,000	13,644,000
Coal Conversion Tax	47,465,410	47,465,410	52,425,000	45,005,000
Mineral Leasing Fees	21,537,674	21,537,674	22,715,000	22,715,000
Departmental Collections	59,769,233	59,769,233	62,800,000	60,961,920
Interest Income	39,245,931	39,245,931	51,300,000	27,000,000
Bank of North Dakota Profits Transfer	60,000,000	60,000,000	60,000,000	1,000,000
Other Transfers*	134,374,056	134,374,056	47,288,000	476,023,836
TOTAL	\$2,697,225,483	\$2,662,575,683	\$2,745,446,000	\$2,957,803,122
	2007-2009 EXECUTIVE	2007-2009 LEGISLATIVE	2009-2011 EXECUTIVE	2009-2011 LEGISLATIVE
* Other Transfers Include:				
Land & Minerals Trust Fund	\$15,000,000	\$15,000,000	\$43,500,000	\$35,000,000
Permanent Oil Tax Trust Fund	115,000,000	115,000,000		435,000,000
Student Loan Trust Fund Interest	3,100,000	3,100,000		
State Mill Profits Transfer			2,500,000	4,735,836
Gas Tax Administration Transfer	1,274,056	1,274,056	1,288,000	1,288,000
Total Other Transfers	\$134,374,056	\$134,374,056	\$47,288,000	\$476,023,836

**STATE OF NORTH DAKOTA
COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE
2001-2003 THROUGH 2009-2011**

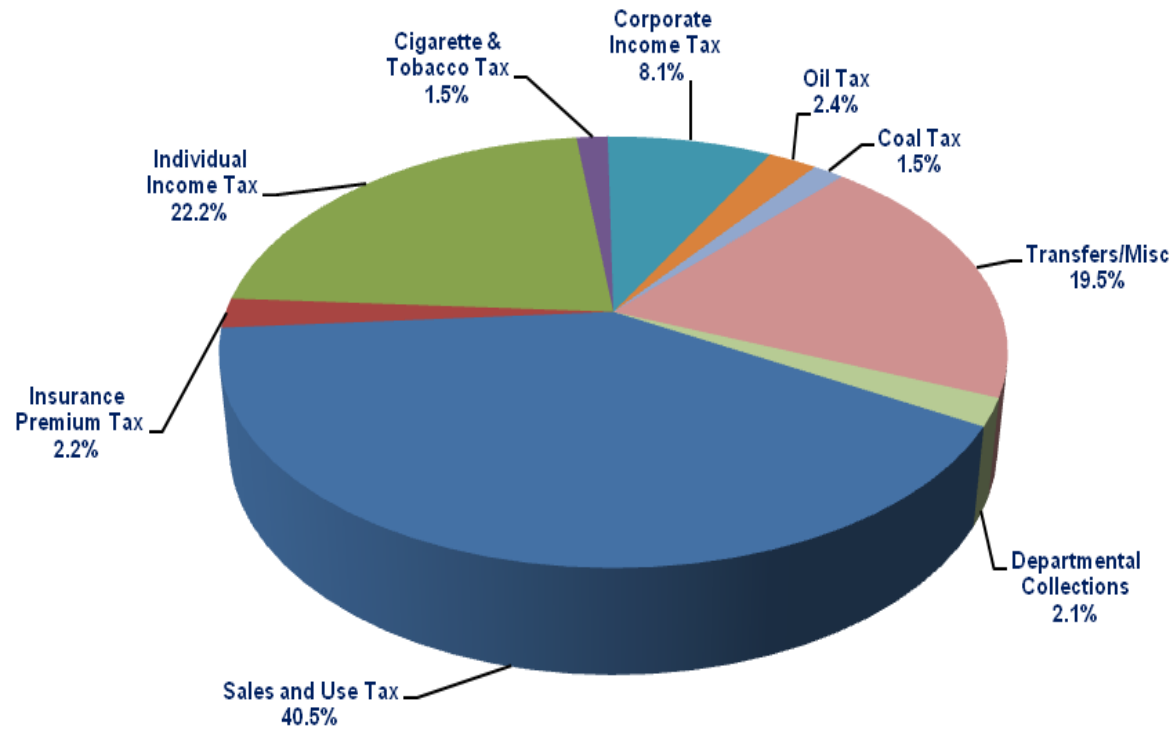
REVENUE SOURCE	ACTUAL 2001-2003	ACTUAL 2003-2005	ACTUAL 2005-2007	REVISED FORECAST 2007-2009	LEGISLATIVE FORECAST 2009-2011
Sales and Use Taxes	\$640,618,363	\$717,758,293	\$841,930,866	\$1,067,072,783	\$1,109,974,800
Motor Vehicle Excise Tax	119,592,232	128,010,103	125,722,268	126,839,256	86,978,250
Individual Income Tax	396,153,000	452,547,326	587,659,377	614,538,328	655,508,000
Corporate Income Tax	88,417,166	102,926,972	232,294,310	252,903,698	239,110,000
Insurance Premium Tax	48,990,027	56,284,535	12,787,869	66,590,545	66,000,000
Financial Institutions Tax	6,257,389	4,958,673	9,702,362	10,261,402	9,500,000
Oil and Gas Production Tax	39,159,000	45,534,044	45,970,447	39,309,315	39,309,315
Oil Extraction Tax	22,841,000	25,465,956	25,029,553	31,690,685	31,690,685
Gaming Tax	27,612,652	20,850,911	17,986,019	20,283,806	16,799,316
Lottery		7,269,005	12,600,000	11,155,000	11,155,000
Cigarette and Tobacco Tax	39,313,360	39,476,712	44,683,370	45,879,687	45,428,000
Wholesale Liquor Tax	11,155,834	11,889,465	12,787,869	13,658,874	13,644,000
Coal Conversion Tax	46,878,511	47,196,831	49,217,864	47,465,410	45,005,000
Mineral Leasing Fees	6,440,513	11,024,583	13,960,279	21,537,674	22,715,000
Departmental Collections	57,506,019	61,004,537	53,781,397	59,769,233	60,961,920
Interest Income	8,509,483	6,935,015	36,507,217	39,245,931	27,000,000
Federal Fiscal Relief Payments		56,456,581			
Bank of North Dakota Profits Transfer	78,699,787	60,000,000	60,000,000	60,000,000	1,000,000
Student Loan Trust Fund Interest Transfer	9,000,000	26,258,969	9,000,000	3,100,000	
State Mill Profits Transfer	6,000,000	5,000,000	5,000,000		4,735,836
Gas Tax Administration Transfer	1,363,392	1,396,200	1,400,000	1,274,056	1,288,000
Other Transfers*	15,370,511	65,153,319	79,310,132	130,000,000	470,000,000
TOTAL	\$1,669,878,239	\$1,953,398,030	\$2,277,331,199	\$2,662,575,683	\$2,957,803,122
* Other Transfers Include:	2001-2003	2003-2005	2005-2007	2007-2009	2009-2011
Land & Minerals Trust Fund	\$3,545,102	\$2,000,000	\$6,800,000	\$15,000,000	\$35,000,000
Water Development Trust Fund	9,733,820	10,070,373			
Permanent Oil Tax Trust Fund		11,910,000	55,300,000	115,000,000	435,000,000
Bonding Fund		2,800,000			
Health Care Trust Fund		35,911,035	16,900,000		
Miscellaneous Transfers	2,091,589	2,461,911	310,132		
	\$15,370,511	\$65,153,319	\$79,310,132	\$130,000,000	\$470,000,000

Comparison of General Fund Revenue by Major Source 2005-2007 Through 2009-2011



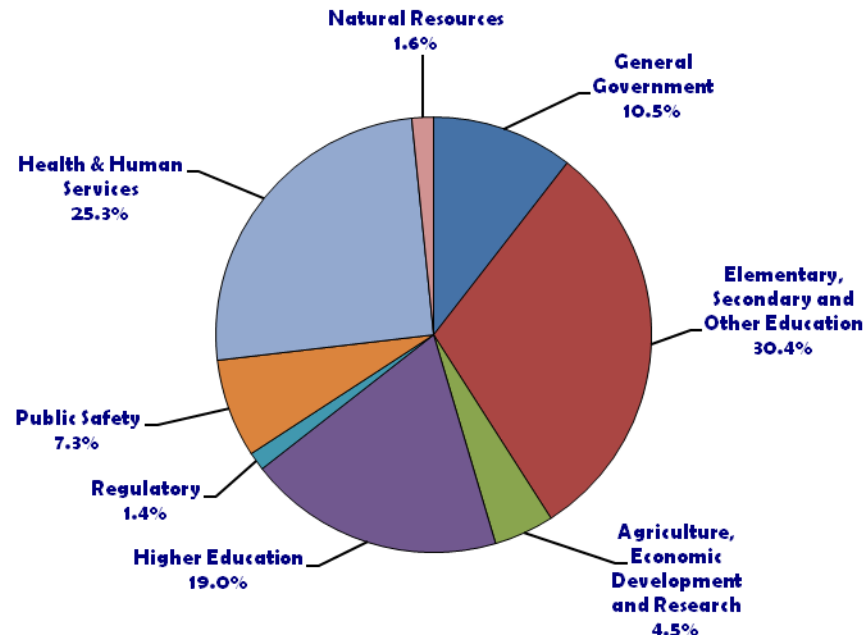
Comparison of General Fund Revenue by Major Source
2009-2011

\$2,957,803,122

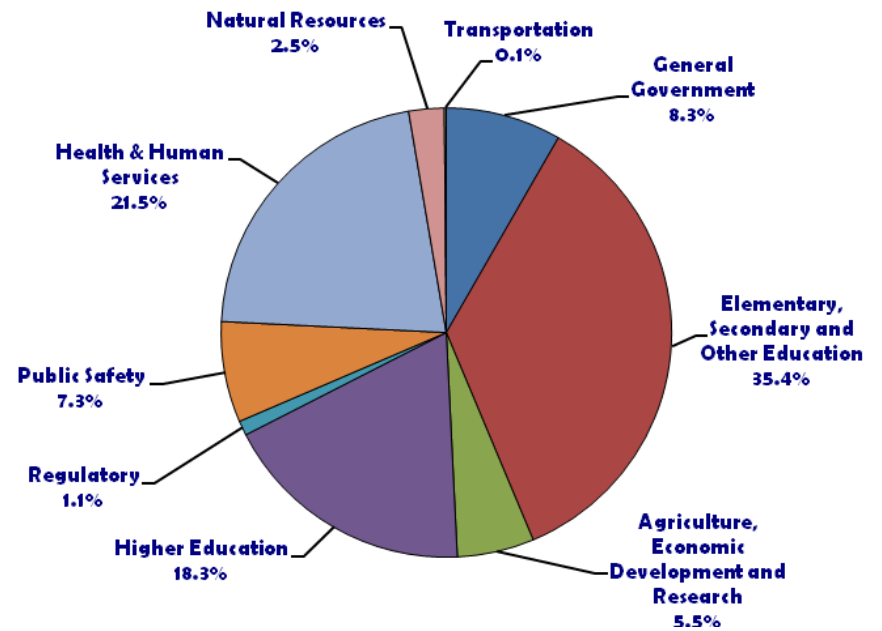


General Fund Budget 2007-2009 and 2009-2011

**2007-2009
Legislative Appropriation
\$2,461,973,956**

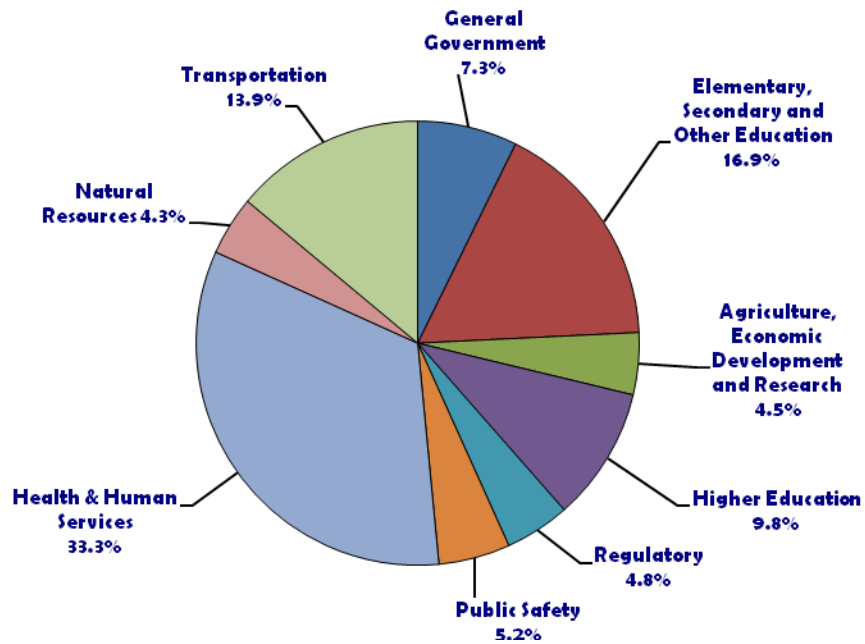


**2009-2011
Legislative Appropriation
\$3,249,365,481**

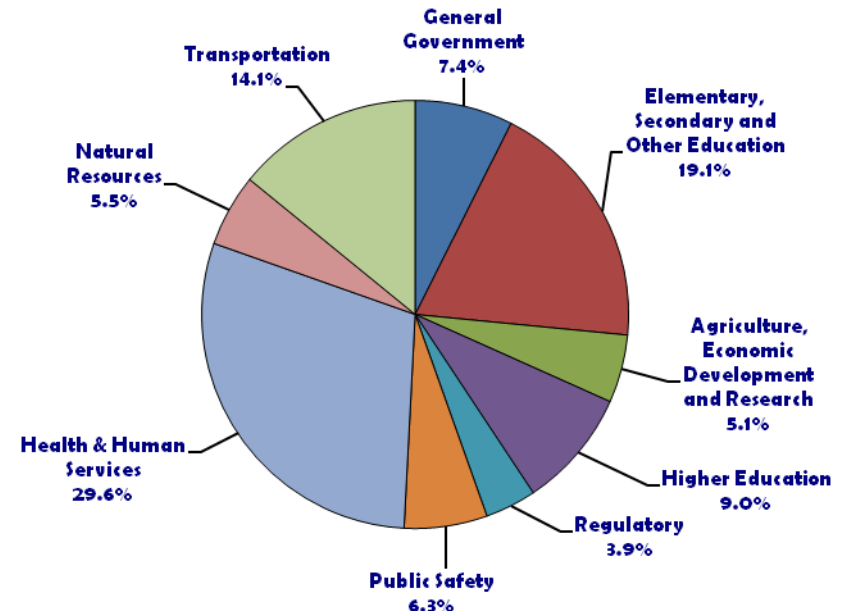


Total Funds Budget 2007-2009 and 2009-2011

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



**2009-2011
Legislative Appropriation
\$8,848,274,865**



**Bonding Fund
Status Statement**

	2005-07 Actual	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$2,395,546	\$2,302,806 ^{\1}	\$2,589,306
Revenue:			
Premiums	\$0 ^{\2}	\$0 ^{\2}	\$0 ^{\2}
Investment revenue	518,821	(400,000) ^{\3}	150,000 ^{\3}
Transfer from insurance regulatory trust		500,000 ^{\4}	
Claims restitution	53,783	90,000	90,000
Game & Fish and other revenue	7,353	7,000	7,000
Total Revenues	\$579,957	\$197,000	\$247,000
Expenditures:			
Loss claim payments	(\$564,253)	(\$95,000)	(\$125,000)
Claims liability adjustment		\$253,000 ^{\5}	
Claims related expenses	(19,725)	(3,500) ^{\6}	(15,000) ^{\6}
Investment expense	(57,544)	(30,000)	(10,000)
Administration	(31,175)	(35,000) ^{\7}	(41,518) ^{\7}
Total Expenditures	(\$672,697)	\$89,500	(\$191,518)
Ending Balance	\$2,302,806 ^{\1}	\$2,589,306	\$2,644,788

- ^{\1} From June 30, 2007, comprehensive annual financial report (CAFR).
- ^{\2} There have been no premiums assessed or payments received in this fund since 1953. Pursuant to NDCC Section 26.1-21.09, premiums must be assessed if the fund balance falls below \$2.0 million.
- ^{\3} Investment revenue is based on realized and projected losses for 2007-09 and Insurance Department projections for 2009-11.
- ^{\4} Section 2 of 2009 House Bill No. 1010 provides for a transfer of \$500,000 from the insurance regulatory trust fund to the bonding fund. The transfer was authorized by the 2009 legislature to ensure that the balance in the bonding fund does not fall below the statutorily required \$2.0 million, requiring the assessment of premiums.
- ^{\5} Adjustment to fund balance to reflect the dismissal of a claim liability accrued in a previous biennium in the amount of \$245,000 and reflected as a reduction in the beginning fund balance for the 2007-09 biennium. The claim has been dismissed and the liability is no longer reflected as an accrued liability affecting fund balance. In addition, the Insurance Department recorded a one-time adjustment reducing the reserved fund balance to the required level.
- ^{\6} Claims related expenses include adjusting fees and all expenses directly related to a specific claim.
- ^{\7} Amounts reflect estimated administrative costs for the 2007-09 biennium and appropriated amounts for the 2009-11 biennium.

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. 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

	2005-07 Actual ^{\1}	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$99,472,631	\$200,000,000 \2	\$324,936,548
Revenue:			
Transfer from general fund	100,527,369	124,936,548 \3	
Transfers:			
Transfers to general fund \4			
Ending Balance	\$200,000,000	\$324,936,548	\$324,936,548

\1 Final revenues and expenditures per state accounting system reports.

\2 Actual July 1, 2007 balance. Financial market conditions have resulted in a decline in the market value of the assets of the budget stabilization fund during the 2007-09 biennium. Since no funds are anticipated to be transferred from the budget stabilization fund, most losses will not be realized and are not reflected on this report.

\3 Estimated transfer from the general fund based on appropriations authorized by the 2009 legislature for the 2009-11 biennium and the provisions of NDCC Section 54-27.2-01 requiring a transfer sufficient to bring the balance of the fund to 10 percent of appropriations.

\4 No transfers from the budget stabilization fund to the general fund are anticipated during the 2007-09 or 2009-11 bienniums. Transfers will only take place if actual general fund collections fall short of revenue projections, as provided in Section 54-27.2-03.

Notes:

The budget stabilization fund is a statutory fund created in 1987. 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 Section 54-27.2-01.

Pursuant to Section 54-27.2-01, the fund is limited to no more than 10 percent of current biennium appropriations. 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.

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**

	2005-07 Actual	2007-09 Projected	2009-11 Appropriated
Beginning Balance	\$4,502,525 ^{\1}	\$2,392,943 ^{\1}	\$1,235,113
Revenue:			
Transfers from the tobacco settlement trust	4,382,812	6,149,540 ^{\2}	4,388,119
Contingency transfer from general fund			2,405,371 ^{\4}
Expenditures:			
Dental Loan Program	(383,448)	(356,896)	(483,448)
Dental New Practice Grant			(10,000)
Medical Loan Repayment Program		(39,570)	(272,500)
Veterinarian Loan Repayment Program			(350,000)
Colorectal Cancer Screening		(150,000)	(300,000)
EMS Training Grants		(300,000)	(300,000)
Tobacco Coordinator and Operating Expenses	(109,557)	(124,000)	(139,397) ^{\5}
Tobacco Quit Line	(832,186)	(1,113,000)	(1,069,000) ^{\5}
Tobacco Prevention and Control			(2,302,098) ^{\5}
Advisory committee	(99,246)	(66,500)	
City/County & State Employee Cessation	(132,325)	(168,500)	
Local Health & Tobacco Programs	(4,684,836)	(4,675,000)	
Women's Way Program			(304,332)
Heart Disease and Stroke			(472,700)
DHS breast & cervical cancer	(296,598)	(213,904)	(790,015)
Governor's Prevention and Advisory Council		(100,000)	
Miscellaneous Adjustment	45,802		
Total	(6,492,394)	(7,307,370) ^{\3}	(6,793,490)
Ending Balance	\$2,392,943	\$1,235,113	\$1,235,113

^{\1} Beginning balances are actuals for July 1, 2005, July 1, 2007, and projected for July 1, 2009.

^{\2} Actual revenues received through May 2009, and estimated receipts for the remainder of the biennium, as projected by the Office of Management and Budget.

^{\3} Estimated expenditures for the 2007-09 biennium projected by the Health Department.

^{\4} SB 2004 provided a contingent appropriation to transfer \$2,405,371 from the general fund to the Community Health Trust fund, in the event revenue is not sufficient to fund the appropriated programs.

^{\5} Approved by voters in 2008, Measure #3 provides that 80 percent of the tobacco settlement revenue allocated to the Community Health Trust fund must be spent on tobacco related programs. Eighty percent of the projected revenue for 2009-11 equals \$3,510,495.

^{\6} Governor's Prevention and Advisory Council funding is included in the Department of Human Services budget with general fund authority.

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

In November 2008, voters approved Measure No. 3, which creates a tobacco prevention and control trust fund that will receive all tobacco settlement strategic contribution fund payments to the state. Strategic contribution fund payments are estimated by OMB at \$14.1 million per year through 2017. After 2017, no additional strategic contribution fund payments are anticipated.

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

Fire and Tornado Fund
Status Statement

	2005-07 Actual	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$22,299,009	\$28,764,043 ^{\1}	\$21,357,331
Revenue:			
Premium revenue	9,815,442 ^{\2}	6,821,000 ^{\2}	7,000,000 ^{\2}
Investment revenue (loss)	5,049,746 ^{\3}	(4,500,000) ^{\3}	2,000,000 ^{\3}
Claims recovery	13,424 ^{\4}	7,840,000 ^{\4}	1,000,000
Boiler inspection fee	359,224	340,000 ^{\2}	350,000
Anhydrous ammonia	113,829	94,000 ^{\5}	150,000
Miscellaneous	(64)	20,000	
Total Revenues	<u>15,351,601</u>	<u>10,615,000</u>	<u>10,500,000</u>
Expenditures:			
Insurance claims	(4,387,749)	(12,644,088) ^{\6}	(5,000,000)
Claims related payments	(3,171,626) ^{\7}	(3,800,000) ^{\7}	(3,900,000) ^{\7}
Administration/investment expenses	(874,559)	(1,157,624)	(1,454,159) ^{\8}
Fire Marshal inspection fees	(326,633)	(250,000) ^{\8}	(310,000) ^{\8}
ND Firefighter's Association	(126,000)	(170,000) ^{\8}	(170,000) ^{\8}
Total Expenditures	<u>(\$8,886,567)</u>	<u>(\$18,021,712)</u>	<u>(\$10,834,159)</u>
Ending Balance	\$28,764,043 ^{\1}	\$21,357,331	\$21,023,172

^{\1} From June 30, 2007, Comprehensive Annual Financial Report (CAFR).

^{\2} 2007-09 revenue based on actual amounts received through May 31, 2009; 2009-11 estimates provided by Insurance Department.

^{\3} Investment losses for the 2007-09 biennium are based on estimated realized losses; estimated revenue for 2009-11 based on historical average returns, as provided by Insurance Department.

^{\4} Claims recovery reflects amounts recovered through re-insurance purchased to cover claims that exceed a specific amount per incident.

^{\5} Based on actual funds available from ND Department of Agriculture anhydrous ammonia storage facility inspection fund.

^{\6} Insurance claims expense is based on historical data, open claims reports, and actuarial reports.

^{\7} Claims related payments include claim adjusting fees and premium payments for re-insurance.

^{\8} Appropriated amounts.

Notes:

The state fire and tornado fund originated in 1919. The fund is maintained to insure the state and its political subdivisions against loss to public buildings and 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 assessments.

**Foundation Aid Stabilization Fund
Status Statement**

	2005-07 Actual ^{\1}	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$16,098,385	\$29,009,838 ^{\2}	\$64,484,111
Revenue:			
Oil extraction tax allocations	12,911,453	35,474,273 ^{\3}	24,892,171 ^{\4}
Transfers:			
Transfer to state school aid program			
Ending Balance	\$29,009,838	\$64,484,111	\$89,376,281

\1 Final revenues and expenditures per state accounting system reports.

\2 Actual July 1, 2007 balance.

\3 Based on actual revenues through May 31, 2009, plus estimated revenues for the final month of the 2007-09 biennium.

\4 Revenue estimates based on the May 2009 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.

**Health Care Trust Fund
Status Statement**

	2005-07 Actual	2007-09 Projected	2009-11 Appropriated
Beginning Balance	\$20,134,411	\$2,821,191 ^{\1}	\$3,345,679
Revenue:			
Investment Earnings	\$1,808,207	\$146,736	\$118,339
Principal and Interest Repayments	988,573	1,103,349	1,011,095
Total Revenue	<u>\$2,796,780</u>	<u>\$1,250,085</u>	<u>\$1,129,434</u>
Expenditures:			
Transfer to State General Fund	\$16,900,000		
Provider Inflationary Increase - 0.65% (DHS)	3,001,852		
DD Provider Increase (DHS)	198,148		
Nursing Home Inflationary Increases (DHS)		\$525,597	
Nursing Home Grants (DHS)			\$4,124,506
Assisted living and basic care remodel grants (DHS)			200,000 ^{\2}
Quick Response Unit Pilot Project (Health Dept.)	10,000	125,000	125,000
Trauma System Evaluation (Health Dept.)		75,000	
Total Expenditures	<u>\$20,110,000</u>	<u>\$725,597</u>	<u>\$4,449,506</u>
Ending Balance	\$2,821,191	\$3,345,679	\$25,607

^{\1} Actual July 1, 2007 balance.

^{\2} HB 1327 provides grant funding to a nursing facility for remodeling costs incurred with the transition to an assisted living facility. The grant also requires that a pilot rent subsidy project be implemented.

Highway Tax Distribution Fund
Status Statement

	2005-07 Actual ¹	2007-09 Projected ²	2009-11 Appropriation ³
Beginning Balance	\$0	\$0	\$0
Revenue:			
Motor vehicle fuel tax	146,845,935	150,845,145	161,850,725
Special fuel taxes	107,581,387	118,500,000	111,400,000
Motor vehicle registration fees	87,500,000	120,500,000	122,600,000
Total Revenues	<u>341,927,322</u>	<u>389,845,145</u>	<u>395,850,725</u>
Transfers:			
State highway fund allocation	(208,234,244)	(240,299,146)	(234,166,000)
Counties allocation	(76,978,346)	(89,853,131)	(82,130,000)
Cities allocation	(45,375,021)	(51,274,950)	(49,660,000)
Townships allocation			(10,314,000)
Transit allocation			(5,730,000)
Highway Patrol	(7,510,795)	(4,234,214)	(4,550,725)
Motorboat safety account	(245,935)	(230,117)	(200,000)
State snowmobile fund	(181,387)	(168,167)	(200,000)
Administrative assistance to transferees			(5,500,000)
Ethanol production incentive	(3,401,594)	(3,785,420)	(3,400,000)
Total Transfers	<u>(\$341,927,322)</u>	<u>(\$389,845,145)</u>	<u>(\$395,850,725)</u>
Ending Balance	\$0	\$0	\$0

\1 Final revenues and expenditures per Department of Transportation.

\2 Revenues and expenditures based on actual amounts through May 31, 2009, and estimates for the remaining month of the 2007-09 biennium.

\3 Revenues and expenditures based on legislative appropriation for the 2009-11 biennium and formula changes which provide for the formula distribution of moneys previously dedicated to specific programs. Moneys previously deposited in the township highway aid fund are now deposited in the highway tax distribution fund and townships are allocated 2.7 percent of all moneys deposited in the distribution fund. Transit programs previously received funding from a \$3 per vehicle surcharge on motor vehicle registrations. Now this amount is deposited in the distribution fund along with other motor vehicle registration fees and transit programs are allocated 1.5 percent of all moneys deposited in the distribution fund. Previously, \$13 from each registration fee was deposited directly into the highway fund for DOT and was not subject to allocation through the distribution fund. Now, this amount is deposited into the distribution fund. Allocation percentages were changed from 63.0 percent for DOT to 61.3 percent; from 37.0 percent for cities and counties, to 34.5 percent. Allocation percentages were added for transit and townships.

Notes:

The highway tax distribution fund is a statutory fund established by NDCC Section 54-27-19. The fund receives moneys from motor vehicle registrations and fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes. The first \$5.5 million deposited in the fund is transferred to the highway fund to provide administrative assistance to transferees.

Appropriations for the Highway Patrol, ethanol production incentives, motorboat safety, and state snowmobile fund are deducted before remaining moneys are allocated pursuant to the the following formula:

- 61.3 percent to the highway fund for use by the state DOT.
- 2.7 percent to township highway fund for allocation to townships pursuant to Section 54-27-19.1.
- 1.5 percent to the public transporation fund to be allocated pursuant to Section 39-04.2-04.
- 34.5 percent to cities and counties, allocated pursuant to the distribution formula provided in Section 54-27-19.

Lands and Minerals Trust Fund
Status Statement

	2005-07 Actual ¹	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$6,820,879	\$14,056,683 ¹²	\$26,805,940
Revenue:			
Mineral royalties	\$8,414,896	\$18,122,669	\$8,889,008
Mineral rents	429,635	432,599	432,599
Mineral bonus	5,097,312	10,829,114	2,287,157
Human Services DD loan repayments	974,438	835,306	372,372
Investment income	1,219,422	1,138,003	1,352,447
Total Revenue	<u>\$16,135,703</u>	<u>\$31,357,691</u> ¹³	<u>\$13,333,583</u>
Expenditures:			
Transfer to common schools for DD loan	(\$1,652,538)	(\$1,417,504)	(\$717,182)
Transfer to general fund	(6,800,000)	(15,000,000)	(35,000,000)
Appropriation to Industrial Commission	(225,000)	(285,000)	(515,207)
Appropriation to OMB for planning and design of Heritage Center expansion	0	(1,000,164)	
Appropriation to Historical Society for purchase of Cold War missile site	0	(250,000)	
Administrative expenses	(222,361)	(655,766)	(222,227)
Total Expenditures and Transfers	<u>(\$8,899,899)</u>	<u>(\$18,608,434)</u>	<u>(\$36,454,616)</u>
Ending Balance	\$14,056,683	\$26,805,940	\$3,684,907

¹ Final revenues and expenditures per Land Department.

¹² Actual July 1, 2007 balance.

¹³ Based on actual revenues received through April 30, 2009, and estimated receipts for the remainder of the biennium, as determined by the 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**

	2005-07 Actual ^{\1}	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$50,369,096	\$143,270,662 ^{\2}	\$475,352,493
Revenue:			
Oil taxes in excess of general fund limit	169,798,265	478,048,372 ^{\3}	323,092,000 ^{\4}
Expenditures:			
Appropriation for IPG Music Camp	(350,000)		
Appropriation for Centers of Excellence	(20,239,035)	(15,000,000)	
Department of Human Services MMIS	(1,007,664)		
Higher education		(7,783,315)	(10,750,000)
Grants to tribal colleges		(700,000)	(700,000)
Veterans Home facility		(6,483,226)	
Water project grants			(2,792,000)
Prairie Public Broadcasting			(1,008,100)
Agricultural research and extension		(750,000)	(925,000)
Livestock disaster assistance		(250,000)	
Property tax relief - 2009-11			(295,000,000)
Property tax relief - Sustainability fund			(295,000,000)
Transfer to the general fund	(55,300,000)	(115,000,000)	(140,000,000)
Total Expenditures and Transfers	<u>(\$76,896,699)</u>	<u>(\$145,966,541)</u>	<u>(\$746,175,100)</u>
Ending Balance	\$143,270,662	\$475,352,493	\$52,269,393

\1 Final revenues and expenditures per state accounting system reports.

\2 Actual July 1, 2007 balance.

\3 Based on actual revenues through May 31, 2009 and estimated receipts for the final month of the 2007-09 biennium.

\4 Revenue estimates based on the May 2009 legislative revenue forecast.

Notes:

North Dakota Century Code Section 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.

**Resources Trust Fund
Status Statement**

	2005-07 Actual ¹	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$36,743,173	\$32,655,609 ²	\$83,013,609
Revenue:			
Repayments and reimbursements	2,541,958	2,994,000	2,009,000
Oil extraction tax collections	25,822,906	71,840,000	49,784,000 ⁴
Interest	1,897,572	2,724,000	1,000,000
Total Revenues	30,262,436	77,558,000 ³	52,793,000
Expenditures:			
Water Commission expenditures	(\$34,350,000)	(\$27,200,000) ³	(\$135,806,609) ⁵
Ending Balance	\$32,655,609	\$83,013,609	\$0

¹ Final revenues and expenditures per state accounting system reports.

² Actual July 1, 2007 balance.

³ Actual revenues and expenditures through May 31, 2009 plus agency estimates for receipts and expenditures through June 2009.

⁴ Revenues are based upon the May 2009 legislative forecast. The February 2009 executive forecast estimated 2009-11 oil extraction revenues of \$71.5 million.

⁵ Legislatively authorized expenditures are \$188.4 million, but actual expenditures cannot exceed available funding.

For this schedule, expenditures have been reduced by \$52.6 million to match anticipated available funding.

Per HB1020, planned expenditures include \$45.0 million for Fargo flood control. Another \$342,000 was appropriated in SB2305 for a Beaver Bay embankment study.

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 constructing water related projects, including rural water systems, and 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 conservation and waste products utilization programs and studies. The 1995 Legislative Assembly amended Section 57-51.1-07 to provide that 20 percent of oil extraction tax collections will be deposited in the resources trust fund.

**State Aid Distribution Fund
Status Statement**

	2005-07 Actual ^{\1}	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$0	\$0 ^{\2}	\$0
Revenue:			
Sales tax revenue	\$72,961,654	90,851,590	96,519,548
Motor vehicle excise tax revenue	10,907,603	12,490,076	10,084,435
Total Revenues	<u>\$83,869,257</u>	103,341,666 ^{\3}	<u>106,603,983</u>
Expenditures:			
Distributions to cities and counties	<u>(\$83,869,257)</u>	<u>(\$103,341,666)</u>	<u>(\$106,603,983)</u>
Ending Balance	\$0	\$0	\$0

\1 Final revenues and expenditures per state accounting system reports.

\2 Actual July 1, 2007 balance.

\3 Based on actual revenues through May 31, 2009, plus estimated receipts for the remaining month of the biennium.

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 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. The calculation results in 8% of all sales and motor vehicle excise taxes being distributed through the state aid distribution fund to cities and counties.

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 Prevention and Control Trust Fund
Status Statement

	2005-07	2007-09	2009-11
	Actual	Projected	Appropriated
Beginning Balance	\$0	\$0	\$14,104,952
Revenue:			
Fiscal year 1 payments	\$0	0	\$14,138,011
Fiscal year 2 payments		\$14,138,011	\$14,138,011
Investment Income	0	29,344	345,463
Total Revenue	\$0	\$14,167,355 ^{\1}	\$28,621,485
Expenditures:			
Operating		(\$62,403)	(\$690,996)
Grants and Professional Fees			(12,191,004)
Total Expenditures and Transfers	\$0	(\$62,403)	(\$12,882,000)
Ending Balance	\$0	\$14,104,952	\$29,844,437

\1 Actual revenues received through May 31, 2009.

Notes:

In November 2008, voters approved Measure No. 3, which created a tobacco prevention and control trust fund. All tobacco settlement strategic contribution fund payments received by the state will be deposited in the fund. The strategic contribution fund payment received by the state in April 2009 was \$14.1 million. Future payments are projected to continue at this level through 2017. After 2017, no additional strategic contribution fund payments are anticipated.

HB 1015, based on the intent of Measure No. 3, creates the Tobacco Prevention and Control Committee as a state agency. Section 35, appropriates funding for the 2009-2011 biennium. Section 36, provides retroactive funding for expenditures that occurred during the period of January 1, 2009, through June 30, 2009. Section 39 changes language in the measure concerning the ability to spend funding from the water development trust fund. The legislature required that water development trust fund moneys may only be spent pursuant to legislative appropriation.

Tobacco Settlement Trust Fund
Status Statement

	2005-07 Actual ¹	2007-09 Projected	2009-11 Appropriated
Beginning Balance	\$0	\$0 ²	\$0
Revenue:			
Fiscal year 1 payments	\$21,414,069	\$36,481,077	\$22,705,622
Fiscal year 2 payments	22,414,049	25,014,321	22,705,622
Total Revenue	\$43,828,118	\$61,495,398 ³	\$45,411,244 ⁴
Transfers:			
Transfer to community health trust fund	(\$4,382,812)	(\$6,149,540)	(\$4,541,124)
Transfer to water development trust fund	(19,722,653)	(27,672,929)	(20,435,060)
Transfer to common schools trust fund	(19,722,653)	(27,672,929)	(20,435,060)
Total Expenditures and Transfers	(\$43,828,118)	(\$61,495,398)	(\$45,411,244)
Ending Balance	\$0	\$0	\$0

¹ Final revenues and expenditures per state accounting system reports.

² Actual July 1, 2007 balance.

³ Actual revenues received through May 31, 2009.

⁴ Estimated revenues based on total annual tobacco settlement payments of \$36.8 million, less \$14.1 million per year deposited in the tobacco prevention and control trust fund pursuant to voter approval of Measure No. 3 on the November 2008 ballot. Measure No. 3 created a tobacco prevention and control trust fund to receive all tobacco settlement strategic contribution fund payments. The April 2009 strategic contribution fund payment received by the state was \$14.1 million.

Notes:

North Dakota Century Code Section 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 moneys received by the state pursuant to the judgment and all moneys received by the state for enforcement of the judgment, except for moneys relating to the strategic contribution fund, must be deposited in the fund. Strategic contribution fund moneys received by the state are deposited directly into the tobacco prevention and control trust fund. The principal of the tobacco settlement trust 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 moneys.

In November 2008, voters approved Measure No. 3, which created a tobacco prevention and control trust fund. All tobacco settlement strategic contribution fund payments received by the state will be deposited in the fund. The strategic contribution fund payment received by the state in April 2009 was \$14.1 million. Future payments are projected to continue at this level through 2017. After 2017, no additional strategic contribution fund payments are anticipated.

Tuition Apportionment Fund
Status Statement

	2005-07 Actual ^{\1}	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$1,102,695	\$1,133,039 ^{\2}	\$859,039
Revenue:			
Fines for violation of state laws	\$9,096,710	\$9,126,000 ^{\3}	\$9,300,000
Transfers from common schools	62,200,000	66,800,000 ^{\4}	77,000,000 ^{\4}
Total Revenues	<u>\$71,296,710</u>	<u>\$75,926,000</u>	<u>\$86,300,000</u>
Expenditures:			
Tuition apportionment payments to schools	<u>(\$71,266,366)</u>	<u>(\$76,200,000)</u>	<u>(\$86,300,000)</u>
Ending Balance	\$1,133,039	\$859,039	\$859,039

\1 Final revenues and expenditures per state accounting system reports.

\2 Actual July 1, 2007 balance.

\3 Actual revenues through May 31, 2009 plus estimated receipts for the month of June 2009. June estimates based on average of June collections in preceding four years.

\4 Common schools trust fund distribution estimates provided by Land Department.

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 state tuition fund, pursuant to North Dakota Century Code Section 15.1-28-01. Beginning with the 2007-2009 biennium, tuition apportionment payments are included in state school aid distributions to school districts.

Water Development Trust Fund
Status Statement

	2005-07 Actual ¹	2007-09 Projected	2009-11 Appropriation
Beginning Balance	\$13,200,239	\$8,989,953 ¹²	\$21,862,883
Revenue:			
Transfers from the tobacco settlement trust	19,722,653	27,672,929 ¹³	19,746,536
Expenditures:			
Water Commission expenditures	(\$23,932,939)	(\$14,800,000) ¹⁴	(\$30,843,001) ¹⁵
Ending Balance	\$8,989,953	\$21,862,883	\$10,766,418

¹ Final revenues and expenditures per state accounting system reports.

² Actual July 1, 2007 balance.

³ Actual revenues received through May 31, 2009 and estimated receipts for the remainder of the biennium, as projected by the Office of Management and Budget.

⁴ Actual expenditures through May 31, 2009 plus estimated expenses through June 30, 2009.

⁵ 2009-11 appropriated expenditures include \$16,976,076 for bond payments with \$13,866,925 available for water projects. Administrative expenses will not be paid from the water development trust fund.

Notes:

The water development trust fund was established by the Legislative Assembly in 1999, upon enactment of North Dakota Century Code Section 54-27-25. North Dakota Century Code Section 54-27-25 established 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 were 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.

In November 2008, voters approved Measure No. 3, which created a tobacco prevention and control trust fund to receive all tobacco settlement strategic contribution fund moneys received by the state. Provisions of the measure were in effect prior to receipt of the 2009 strategic contribution fund payment in April 2009. This reduced 2007-09 anticipated water development trust fund revenues by \$5.0 million from the 2007 legislative forecast. For the remaining years of the master settlement agreement, water development fund biennial revenues are anticipated to remain at or near the 2009-11 estimate of \$19.7 million.

The initiated measure also established that if the tobacco prevention and control trust fund does not have adequate money to fund a comprehensive statewide tobacco prevention and control program, money will be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee. The 2009 Legislative Assembly clarified that any money deposited in the water development trust fund may only be spent if legislatively appropriated.

Combined Funds
Status Statement
 (Amounts In Millions)

	2005-07 Actual	2007-09 Projected	2009-11 Appropriated
Beginning Balance	\$342.6	\$907.2 ¹¹	\$1,816.3
Revenues:			
General fund revenues	\$2,317.7	\$2,722.7	\$2,957.8
Federal funds revenue	2,170.9	2,143.1	3,652.2
Special funds revenue	1,499.9	2,024.0	1,988.0
Total Revenue	5,988.5 ¹²	6,889.8 ¹²	8,598.0 ¹³
Expenditures and transfers:			
Appropriated general fund expenditures and transfers	(\$2,090.2)	(\$2,512.1)	(\$3,249.4)
Appropriated federal fund expenditures	(2,170.9)	(2,143.1)	(3,652.2)
Appropriated special funds expenditures and transfers	(1,162.8)	(1,325.5)	(2,200.4)
Total Expenditures and Transfers	(5,423.9) ¹²	(5,980.7) ¹²	(9,102.0) ¹³
Ending Balance	\$907.2	\$1,816.3 ¹¹	\$1,312.3

¹¹ The beginning balance for the 2007-09 biennium reflects the actual general fund balance and actual fund balances for the funds included on this schedule, as recorded in the Budget Analysis and Reporting System (BARS). Special fund balances may not match fund balance amount recorded on the state accounting system due to timing and other adjustments made by agency fiscal staff and OMB. Only special funds statutorily available for appropriation are included on this schedule, with exceptions noted below. 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 and expenditures are from the state accounting system.

¹³ Revenues and expenditures are based on executive recommendation amounts in BARS, adjusted to reflect legislative changes.

Notes:

This analysis includes only special funds subject to the legislative budget and appropriation process. However, the following types of state special funds are excluded:

- Investment, trust, and fiduciary funds
- Insurance funds
- Enterprise funds
- Research funds
- Higher education funds
- Lottery fund
- Other non-appropriated funds

State funds omitted from this schedule include 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.

Numbers presented on this schedule are estimates for informational purposes only. Only certain appropriated special and federal funds are included on this schedule and it is not intended to encompass all funds received and spent by state government.

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

OMB has five major divisions including Fiscal Management, Facility Management, Human Resource Management Services, Central Services, and Risk Management. The Governor's recommendation included \$46.7 million from the general fund. The legislature approved a budget of \$57.6 million of which \$41.1 million is from the general fund.

The governor recommended and the legislature approved the following programs:

- \$200,000 from the general fund for a Student Internship Program. The program will provide stipends to agencies to assist with internships in order to introduce more students to government as a career choice.
- \$100,000 to the Complete Count Committee to promote the 2010 census and ensure that all North Dakotans are counted.
- \$1.0 million for increased IT costs and ongoing maintenance.

The legislature added:

- \$16.0 million, of which \$9.0 million is from the general fund, for an equity pool to be distributed to agencies.
- \$375,000 for annual community service supervision grants to counties.

The following one-time expenditures were approved by the legislature:

- \$2.1 million from the general fund to Prairie Public Broadcasting to continue the conversion from analog to digital. Funding includes restoration of towers, purchase

of digital equipment, and studio renovations to accommodate digital equipment upgrades.

- \$675,000 from the general fund for tuck pointing and cleaning of granite and limestone on the capitol building and judicial wing.
- \$1.2 million from the general fund to continue restoration efforts of the capitol building.
- \$1.5 million from the general fund to repair, redesign and replace capital grounds parking lots.
- \$1.0 million to implement additional ConnectND modules.

Federal stimulus funding provided to OMB included:

- \$400,000 to further the efforts of transparency in government through development of a website to provide information on state expenditures.
- \$289,494 for costs associated with the distribution of federal stimulus funds.

Information Technology Department

The Information Technology Department (ITD) is responsible for all wide area network services for all state agencies, including institutions under the control of the State Board of Higher Education, as well as counties, cities, and school districts. The Governor recommended \$19.1 million from the general fund for a total budget of \$228.2 million to continue statewide technology efforts.

The Governor included and the legislature approved the Commission on Education Improvement's recommendation of \$1.8 million from the general fund for K-12 schools' increased bandwidth and replacement of infrastructure for internet access and video conferencing.

The Governor recommended more than \$4.0 million for implementation of PowerSchool statewide and to provide statewide licensing, hosting and support to all North Dakota public schools. The legislature reduced that funding from the general fund by \$1.9 million, providing special fund authority to collect fees from schools for a portion of PowerSchool licenses. The appropriation continues to provide funding for EduTech technical support by transferring 20.0 FTE from NDSU to ITD, a reduction of 2.00 FTE from the executive recommendation.

The executive recommendation included \$2.2 million from the general fund to develop a longitudinal database system. This system will gather information from pre-kindergarten through higher education, workforce training, advising, job placement and policy making to provide a comprehensive data center. The legislature changed that funding to \$2.5 million from federal stimulus funds and provided a contingent general fund appropriation of \$2.3 million, in the event the federal funds do not become available.

Projects for the Criminal Justice Information Sharing (CJIS) system were approved with \$269,748 funding from the general fund, a reduction of \$100,000 from the Governor's recommendation.

The Governor's recommendation also included and the legislature adopted continued funding for the CJIS Statewide Automated Victim Information and Notification system with \$496,320 from the general fund for ongoing operations and \$1.1 million federal funding for implementation. This program ensures victims of crime receive accurate and timely information regarding the status of the offender and events related to the case.

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 Service, Bureau of Criminal Investigation, Consumer Protection and Antitrust, Crime Laboratory, Fire Marshal, Gaming Division and Lottery Division.

The Governor's recommended budget for the Office of Attorney General in HB 1003 was \$51.7 million including \$29.8 million from the general fund and \$21.9 million of federal and special funds. The Legislative Assembly approved, in various bills, a total budget of \$53.1 million with \$28.0 million from the general fund and \$25.1 million of special and federal funds. The federal funds include \$2.3 million of federal fiscal stimulus from the American Recovery and Reinvestment Act (ARRA). The Legislature increased employee positions to 202.50 from Governor Hoeven's recommendation of 198.50 for a total of 12 new positions. The legislature changed the funding source from general fund to federal stimulus funds for a number of positions.

The Legislature made various changes that impacted Governor Hoeven's budget including:

- Removed general fund dollars of \$1.2 million to address salary equity issues.
- Removed the attorney position and \$231,387 to assume the responsibility of handling civil commitments of sexually dangerous individual's cases.
- Reduced the recommended \$906,000 general fund dollars and 5.50 FTE for background checks of childcare providers to \$211,000 and 2.00 FTE.

Special funds were increased by \$83,000 for fees that will be charged to the DHS to offset the cost of FBI fingerprint checks. (SB2162)

- Authorized 8.00 new positions to be funded from federal stimulus funds including \$1.7 million for the Edward Byrne grant program, \$216,174 for the Internet Against Children program, and \$390,588 for rural law enforcement assistance.
- Provided a total of \$660,000 from the insurance regulatory trust fund for reimbursing health care facilities for the cost of performing preliminary medical screening exams, child forensic medical exams, and acute forensic medical exams for victims of criminal sexual conduct. (SB2216 and HB1003)
- Approved 3.00 of the recommended 4.00 forensic scientists for the Crime lab resulting in a general fund

reduction of \$141,000; however, a DNA evidence technician was added at a cost of \$145,000 to the general fund.

- Appropriated \$330,000 from the general fund for the 24/7 sobriety program to provide an alternative to incarceration for offenders charged or convicted of offenses in which alcohol or controlled substances are involved. (HB1306 and HB1003)
- Added a half-time position and \$182,000 from special funds to administer the concealed weapons permit program.
- Increased the salary of the Attorney General on January 1, 2011, from the proposed \$96,304 to \$113,266 and further increased the salary to \$130,228 on July 1, 2011.

2009-11 Summary of Appropriations to Office of Attorney General

Appropriation Line	HB 1003 Attney Gen. Approp.	HB 1306 24/7 Sobriety	HB 1368 Reduce Cig Ignition ¹	HB 1575 BCI Officer Retirement	SB 2162 Background Checks	SB 2216 Forensic Med. Screen ²	Total 2009-11 Approp.
Salaries	25,779,037			201,110	179,244		26,159,391
Operating	14,109,805	100,000	225,000		114,516		14,549,321
Capital Assets	2,391,187						2,391,187
Grants	3,452,225						3,452,225
Medical Exams	250,000					410,000	660,000
Other Approp. Lines	3,650,529						3,650,529
Fed Stimulus	2,259,188						2,259,188
Total	51,891,971	100,000	225,000	201,110	293,760	410,000	53,121,841
General Fund	27,563,630	100,000		185,946	210,856		28,060,432
Fed & Special	24,328,341		225,000	15,164	82,904	410,000	25,061,409
FTE	200.50				2.00		202.50

¹HB1368 \$200,000 from Reduced Cig. Ignition Propensity and Firefighter Protection Fund; \$25,000 from Fire Prevention & Safety Fund.

²SB2216 is funded from the Insurance Regulatory Trust Fund.

Office of State Tax Commissioner

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

The Governor recommended a \$37.1 million budget for the Tax Commissioner in HB 1006 which included \$6.0 million from the general fund for the Homestead Tax Credit, \$1.2 million for on-site support of GenTax, \$1.5 million for the integration of oil and gas into GenTax, and \$675,000 to address salary inequities. The recommendation also included \$5.4 million for the second of three loan payments for the integrated tax system which is referred to as GenTax.

The legislature approved a total budget of \$41.2 million appropriations in HB1006 and \$3.0 million in SB2201. The major legislative changes to the executive recommendation are as follows:

- Provided for an additional \$4.9 million from the general fund to make the third and final loan payment for the development and implementation of GenTax.
- Reduced inflationary increases for operating costs by \$50,000 and made a funding source change of \$86,000 from general fund dollars to the loan fund. The total loan funds that will be used for operations is \$186,000.
- Provided \$3.0 million of general fund dollars for a new property tax credit program for disabled veterans. (SB2201)

Changed eligibility and qualifications for the Homestead Tax Credit by increasing the maximum income from \$17,500 to \$26,000 and increased the value of allowable assets from

\$50,000 to \$75,000. The fiscal note for the bill was estimated at \$3.8 million; however, the legislature did not provide an additional appropriation to cover the statutory changes. The Tax Commissioner will likely submit a request to the 2011 legislature for a supplemental appropriation to fully fund this change. (SB2402)

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, with compensation increases, was \$84.4 million, of which \$82.4 million was from the general fund, representing an increase of \$15.3 million. The Legislative Assembly approved a total budget of \$84.6 million, with \$82.1 million from the general fund in SB2002 and SB 2121.

The 2007 Legislative Assembly appropriated \$1.4 million for the initial phases of the replacement of the Unified Court Information System (UCIS). After an extensive review process, Tyler Technologies of Dallas, Texas, was chosen to implement its Odyssey case management software system.

The 2009 Legislative Assembly appropriated \$7.3 million to fully implement replacement of the UCIS system. The UCIS replacement software will carry on all functions of the current software plus add functions to allow for electronic filing of

documents and electronic record access and management for judges, court personnel, lawyers and self represented litigants.

Retirement and Investment Office

The Retirement and Investment Office (RIO) includes the Teachers Fund for Retirement (TFFR), a defined benefit pension plan to provide retirement income to public education employees, and the state investment board, the entity responsible for the investment of numerous government pension and insurance funds, such as the Public Employee Retirement System, TFFR, and Workforce Safety and Insurance fund.

The Retirement and Investment Office received authorization, in SB2277, to provide a one-time supplemental retiree benefit payment from the TFFR fund. The payment is based on a formula and paid to teachers and administrators who retired before January 1, 2009. The additional payment is estimated to cost approximately \$4.6 million, which will be paid out of the TFFR. This one-time payment was included in the Governor's recommendation, as \$5.0 million from the general fund. Additionally, the legislature provided \$25,000 special fund authority for RIO to administer the supplemental paychecks.

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 (SMHS), and the Forest Service.

The total 2009-11 general fund appropriation in SB2003, and several other appropriation bills, is \$597.9 million. The net general fund increase, after removing one time projects, is 21 percent more than the 2007-09 appropriation.

Total general fund and general fund equivalent funding for higher education, including permanent oil tax trust funds, federal stimulus dollars, student loan trust fund, and contingent general fund dollars is \$641.8 million.

**2009-11
HIGHER EDUCATION
LEGISLATIVE BUDGET - FUNDING SOURCES**

Appropriation Bill	General Fund¹	Contingent Gen. Fund²	Perm. Oil Trust Fund³	Flexible Federal Stimulus	Student Loan Trust⁴	Total State Level Funding
SB 2003 Primary Appropriation	593,296,143	8,800,000	10,750,000	16,200,000	2,011,570	631,057,713
HB 1394 Grants to Tribal Schools			700,000			700,000
HB 1350 BSC Great Plains Research Cntr.			5,000,000			5,000,000
SB 2266 UND Nursing Simulator Lab				500,000		500,000
SB 2018 Dept. of Commerce-Workforce	1,000,000					1,000,000
SB 2019 Career & Tech. Ed.- Workforce	3,000,000					3,000,000
SB 2155 ND School for the Deaf	200,000					200,000
SB 2412 Health Dept.-UND Med School	369,900					369,900
Total Legislative Budget	\$ 597,866,043	\$ 8,800,000	\$ 16,450,000	\$ 16,700,000	\$ 2,011,570	\$ 641,827,613

¹Included in the \$593.3 million from the general fund is \$2.6 million for Lake Region available to the extent that federal funds are not available for the wind energy project.

²Dickinson State University-Stoxen Library project is contingent on general fund revenues through 12/31/09 exceeding legislative estimates by \$25 million.

³WSC Virtual Center is \$5.0 million, UND's Bismarck Family Practice Center is \$5.4 million, and \$350,000 is operating costs for Dickinson State University.

⁴\$1.0 million Connect ND and beginning 7/1/2009, \$990,970 for the professional student exchange program.

Campus Operations and Maintenance

- Appropriated a total general fund increase of \$67.7 million for campus operations, which includes \$46.3 million for parity, \$10.0 million for equity, and \$8.2 million to limit annual tuition increases to no more than four percent for all campuses. Base (on-going) general fund dollars of \$3.2 million were also appropriated for the following:
 - \$800,000 to Valley City State University to support strategic goals, offset impact of declining enrollments, and to address other financial needs.
 - \$65,000 to Minot State University-Bottineau for safety and security projects.
 - \$1.2 million to UND SMHS, as recommended by Governor Hoeven, to stabilize operations at the Bismarck and Minot Centers for Family Medicine.
 - \$600,000 to UND SMHS, included in the executive budget, to create a RuralMed program.
 - \$500,000 to UND SMHS to develop and implement a comprehensive health care delivery plan.
- One-time general fund appropriations of \$1.3 million for campus operations include:
 - \$750,000 for the Theodore Roosevelt Center at Dickinson State University.
 - \$317,000 to assist Valley City State University with flood related expenses.
 - \$225,000 recommended by the Governor to UND SMHS to implement an electronic medical records system for Centers for Family Medicine training.

Campus Extraordinary Repairs and Deferred Maintenance

- Appropriated \$6.7 million from the general fund, as recommended by the Governor, for base funding of extraordinary repairs.

- Provided \$20.0 million from the general fund for one-time funding, a \$10.0 million increase, for deferred maintenance for the 11 campuses.
- Agreed with the executive recommendation to provide:
 - \$1.0 million to Valley City State University for preparing a campus-wide building master plan with any remaining funds directed toward deferred maintenance and repairs.
 - \$2.0 million to Dickinson State University to complete a campus-wide building master plan, conduct an asbestos survey of Stoxen Library with subsequent removal of asbestos, and to use any remaining funds for maintenance, or repairs and to pay energy conservation or construction loans.

Campus Capital Projects

- Appropriated more than \$276.0 million for major capital projects system-wide with over \$61.0 million from the general fund, \$10.4 million permanent oil trust fund dollars, \$16.2 million flexible federal stimulus funds, and the remaining from federal funds and local revenue bonds.

State Student Financial Needs Based Grants

- Provided \$19.4 million of which \$348,428 are federal funds for needs-based student grants.
- Increased general fund dollars by \$12.8 million representing a 207 percent increase over the 2007-09 appropriation. Governor Hoeven recommended an increase of \$34.0 million to assist students in his ACT-ND initiative. The increased appropriation will fund approximately 8,300 students per year with \$1,200 grants compared to an estimated 3,800 students annually at \$800 per student in the 2007-09 biennium.

Scholars Program

- Appropriated \$2.1 million from the general fund, the same amount recommended by the Governor, to target the best and brightest high school graduates to remain in the state to pursue their post-secondary degree.
- Increased funding of \$450,000 or 27 percent will add 53 new freshmen per year and continue to provide one-time stipends of \$2,000 to incoming freshmen. Currently 130 new and continuing ND Scholars receive scholarship awards.

ND Indian Scholarship Program

- Provided \$381,292 from the general fund for scholarships based on merit and need. This is the same amount appropriated in the 2007-09 biennium.
- Funded approximately 238 grants per year at \$800 per student.

Professional Student Exchange Program (PSEP)

- Authorized a total of \$3.3 million, the same as the executive recommendation, including \$2.3 million from the general fund and \$990,970 from the student loan trust program for the PSEP grant program.
- Increased general fund dollars by \$93,000 to continue to fund existing students and fund approximately 6 new slots in Veterinary medicine, 8 in Dentistry, and 4 in Optometry.
- Increased funding includes \$100,000 to implement a new loan forgiveness program in veterinary medicine similar to the dentistry program (HB1125).
- Provided \$990,970 from the student loan trust fund to continue funding for 4 students currently enrolled in the veterinary medicine program at Kansas State University and to add 5 additional freshmen for each year of the 2009-11 biennium.

- Appropriated \$3.0 million from the general fund for a new career and technical education and academic scholarship program that will provide grants of \$1,500 per year, up to \$6,000 in total, to resident students who attend a ND institution and meet qualifications defined in HB1400.

Education Incentive Program

- Authorized \$3.2 million, an increase of \$1.2 million, or 58 percent, in general fund dollars for loan forgiveness programs for shortages in teaching, technology and the Governor's new science, technology, engineering and math (STEM) program.

System Grant Programs

- Appropriated a total of \$7.0 million from the general fund for EPSCoR, a \$1.4 million increase, which is estimated to generate \$20.0 million in federal and private funds.
- Authorized the present level of \$695,000 of Title II federal funds to provide services to elementary and secondary teachers to improve the teaching-learning process in mathematics and science.
- Maintained the recommendation of \$1.1 million from the general fund for medical malpractice coverage premiums and continued coverage for student internship programs at UND SMHS.
- Appropriated, as recommended, \$30.2 million for the System Information Technology Services, of which \$29.2 million is from the general fund and \$1.0 million from the student loan trust fund, representing a general fund increase of \$3.2 million in base funding.
- Authorized \$1.5 million from the general fund for grants to state colleges for STEM Teacher Education Enhancement programs.

- Provided \$800,000 from the general fund for a marketing initiative for two-year campuses to increase awareness of technical careers.
- Approved \$750,000 of the \$4.0 million general fund dollars recommended by the Governor for grants to campuses for security and emergency preparedness needs.
- Agreed with the executive recommendation to increase by \$100,000, for a total of \$400,000, the general fund appropriation for the ND Space Grant Consortium.

Capital Bond Payments

- Authorized \$12.0 million of which \$11.3 is from the general fund and \$717,250 from other funds for 2009-11 capital bond payments.

Forest Service

- Provided the Governor's recommendation of \$4.9 million, of which \$3.9 million is from the general fund and \$1.0 million from special funds.
- Replaced declining federal revenue with \$826,300 from the general fund and provided an increase of \$292,000 for the cost to continue current operations.
- Received \$300,000 for a new greenhouse in Towner, ND.

Elementary, Secondary, and Other Education

Department of Public Instruction

The Department of Public Instruction (DPI) administers state laws relating to the operation and accreditation of public elementary and secondary schools, distributes state and federal funds to support public education, and is also charged

with supervision of the State Library, School for the Deaf, and ND Vision Services.

The 2009 legislature approved an increase in state funds of over \$120.0 million for K-12 education, including the Department of Public Instruction, Career and Technical Education, and Information Technology. When including \$85.6 million federal education stabilization funds distributed through the state school aid formula, the increase is over \$208.0 million. Of that amount:

- \$82.2 million is provided to increase state school aid formula payments. The total appropriation for state school aid payments is \$808.4 million.
- \$85.6 million is provided to create a new state-funded grant program for one-time expenditures, such as infrastructure improvements, equipment, and teacher professional development.
- \$16.8 million is provided for a new state-funded grant program to provide supplemental one-time grants to fund school district operational costs. The grants are distributed based on the student average daily membership count of each school district.
- \$10.0 million is provided to increase transportation payments.
- \$2.3 million is provided to the Education Standards and Practices Board (ESPB) to establish a teacher support system program.
- \$500,000 is provided to the ESPB to be placed in a newly created national board certification fund. Moneys in the national board certification fund are to be invested by the State Investment Board and the interest used to provide grants to teachers pursuing national board certification.

- \$3.5 million is provided to increase state funding for career and technical education programs through the Department of Career and Technical Education.
- \$6.9 million is provided to increase state funding for educational technology initiatives through the Information Technology Department.

The Governor's recommendation and the legislative appropriation for K-12 education were closely linked to the recommendations 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 executed by nine North Dakota school districts. The nine districts had filed a complaint in district court requesting that the state's public school finance system be declared unconstitutional. The Agreement called for the creation of the Governor's Commission on Education Improvement, charged with the responsibility to provide recommendations on how to improve the system of delivering and financing public elementary and secondary education in North Dakota.

Pursuant to that charge, the Commission recommended to the 2007 legislature sweeping changes to the school funding formula, along with an historic increase in funding for K-12 education. These recommendations were adopted with little change by the 2007 legislature, which reauthorized the Commission and directed them to study and make recommendations regarding educational adequacy and other matters that could result in the further improvement of K-12 education in North Dakota. The Commission received \$200,000 to contract with a consultant during the 2007-09 interim for assistance with its study of educational adequacy. The Commission contracted with Picus and Associates, a nationally recognized firm specializing in school funding adequacy.

For the 2009-11 biennium, the Commission on Education Improvement and Governor Hoeven recommended an increase in the state school aid formula along with various new initiatives and formula changes to provide adequacy in funding and to increase student performance, based on the recommendations of the consultant. These recommendations were adopted by the legislature with little change.

State school aid formula changes adopted by the legislature include:

- **At-risk weighting factor** - A new weighting factor for students considered at-risk of failing if they do not receive additional services. This factor is added to the formula and will take effect beginning with the 2011-13 biennium.
- **Three-tiered factors for English language learner (ELL) payments** - Three separate weighting factors for English language learner students, based on the scores achieved on a proficiency test approved by DPI.
- **Technology factor** - A new weighting factor to provide a state payment to support technology, such as the statewide implementation of PowerSchool, a student information software application used to collect and report student performance information.
- **Minimum mill levy offset** - Discontinuation of the minimum mill levy offset.
- **Minimum and maximum funding increases per student** - Baseline increases of no less than 8.0 percent in 2009-10 and 12.5 percent in 2010-11; maximum increases of no more than 20.0 percent in 2009-10 and 34.0 percent in 2010-11.

- **Early Childhood Education Council** - Creation of a North Dakota Early Childhood Education Council to coordinate services and develop plans for the provision of pre-kindergarten services.
- **Regional education associations (REA's) factor and base payments** – Payments of \$400,000 to REA's and the addition of a factor in the school funding formula for distributing support to school districts participating in REA's.
- **Equity payments** - Continuation of equity payments guaranteeing a local imputed tax base per student equal to no less than 90 percent of the statewide average.
- **Full-day kindergarten** - Continuation of state support for full-day kindergarten programs, as authorized by the 2007 legislature.

New initiatives and other changes supported by the legislature include:

- **Professional development days** - Improve professional development opportunities by allowing up to four early dismissal days to be used to provide the required two days of teacher professional development.
- **Professional Development Advisory Committee** – Establish a Professional Development Advisory Committee to review professional development plans submitted by school districts.
- **Student contact days** - Increase the number of student contact days from 173 to 174 in 2010-11 and to 175 in 2011-12.
- **Increased number of counselors** - Increase the staffing level for counselors from one FTE for every 450 students to one for every 300 students. School districts

could fill up to 1/3 of required counseling positions with career advisors.

- **Assessments** - Require the use of interim assessments, career interest inventory assessments, and summative tests, such as the ACT, SAT, or WorkKeys.
- **Teacher Support System program** - Provide \$2.3 million for a grant to the Education Standards and Practices Board (ESPB) to establish a teacher support system program to provide training and mentoring to new teachers.
- **National Board Certification fund** - Provide \$500,000 to the ESPB to be placed in a newly created national board certification fund. Moneys in the national board certification fund are to be invested by the State Investment Board and the interest used to provide grants to teachers pursuing national board certification.
- **Continuing education grants** – Provide \$100,000 to the Department of Public Instruction to be used for providing continuing education grants of up to \$1,200 to eligible recipient teachers.
- **Special education contracts** - Continue state responsibility to cover the cost of contract services for the state's most costly 1 percent of special education students by adjusting the qualifying multiplier down from 4.5 times to 4 times the average cost of education.
- **North Dakota Scholarship program** – Creates a North Dakota Scholarship program to provide scholarships of up to \$750 per semester to eligible students enrolled in North Dakota institutions of higher education. Eligible students are those meeting certain high school course requirements for academic or vocational classes, achieving a cumulative minimum grade point average of "B," and obtaining a minimum score of 24 on the ACT

test. Scholarships are available beginning with 2009-10 high school graduates.

- **Supplemental one-time grants** – Federal education stabilization funds became available to the state in the amount of \$85.6 million. Federal regulations allowed these funds to be distributed through the state school aid formula, allowing for a fair, equalized distribution among the various North Dakota school districts. By distributing these federal funds through the state school aid formula, state general fund moneys were made available to be distributed to districts through a supplemental one-time grant program. State funds are allocated on the basis of the number of students in each district, but are not distributed on a weighted or equalized basis. These state funds can be used by districts for renovations and repairs, equipment, textbooks, and professional development.
- **Supplemental operations grants** – The amount of funding provided to school districts through the state school aid formula, including federal education stabilization funds, will provide districts school aid formula payments in school year 2009-10 equal to the 2008-09 level. To allow for the increased costs that some districts will incur due to inflation and increasing teacher compensation, a supplemental operations grant was authorized for the 2009-11 biennium only. The legislature provided a total of \$16.8 million to be allocated to districts on the basis of student average daily membership. Payments are to be forwarded by DPI to the school districts prior to September 1, 2009.
- **Contingent transportation grants** – If general fund revenues are more than \$30.0 million in excess of the legislative forecast, a contingent general fund appropriation of \$5.0 million will become available to the Department of Public Instruction to provide

supplemental transportation payments to school districts.

- **Contingent school aid distributions** – If all moneys appropriated for state school aid payments and special education contracts are not distributed through the respective formulas, a contingent distribution is authorized at the end of the 2009-11 biennium to distribute all remaining funds on a prorated basis according to average daily membership.
- **Property tax relief initiative** – The legislature authorized a mill levy reduction program as recommended by the Commission and proposed in the Governor's budget. The mill levy reduction program is funded with a \$295.0 million appropriation from the permanent oil tax trust fund. Moneys will be distributed through the school funding formula to provide mill levy reduction and property tax relief. This allocation will function separate from the rest of the school funding formula. The allocation of state moneys will directly reduce the amount of money a school district will need to raise locally through property taxes and districts will be required to provide a dollar for dollar reduction in local taxes for each dollar received through the state mill levy reduction program. Excluding federal funds, the allocation of mill levy reduction grants will achieve the long-sought goal of the state funding at least 70.0 percent of the cost of elementary and secondary education.
- **Commission on Education Improvement** – The Commission on Education Improvement is reauthorized for the 2009-11 interim. The membership is expanded to include the state director of Career and Technical Education, the president of a private four-year institution of higher education, the owner or manager of a

business, and the commissioner of higher education. Authority to appoint members is changed from the Governor to the chairman of the legislative

management. The Commission's authority is repealed effective December 31, 2010.

**STATE SCHOOL AID SUMMARY
2009-11 AND 2007-09 LEGISLATIVE APPROPRIATIONS**

	2007-09 Appropriation	2009-11 Appropriation	Change From 2007-09 Appropriation
State School Aid			
State school aid formula payments	\$726,165,879	\$808,370,295	\$82,204,416
Other Grants			
State one time grants		85,644,337	85,644,337
State supplemental operations grants		16,795,584	16,795,584
Special education contracts	17,500,000	15,500,000	(2,000,000)
Transportation	33,500,000	43,500,000	10,000,000
Continuing education grants (HB1400)		100,000	100,000
Teacher support program (HB1400)		2,300,000	2,300,000
National board certification fund (HB1400)		500,000	500,000
All funds - DPI major grants	<u>\$777,165,879</u>	<u>\$972,710,216</u>	<u>\$195,544,337</u>
Less federal fiscal stimulus funds in state aid		<u>(85,644,337)</u>	<u>(85,644,337)</u>
State general and special funds - DPI major grants	<u><u>\$777,165,879</u></u>	<u><u>\$887,065,879</u></u>	<u><u>\$109,900,000</u></u>

State Land Department

The Land Department manages surface and mineral acres owned by the state, manages the state’s unclaimed property division, invests state assets held for the benefit of trust beneficiaries, and distributes oil impact grants to political subdivisions.

As the state and certain political subdivisions have realized a windfall in revenue as a result of the boom in oil exploration and production, there are negative impacts as well. To address the negative impacts of oil and gas activity, the legislature:

- Increased the biennial cap on oil and gas production tax allocations to the oil and gas impact grant fund from \$6.0 million to \$8.0 million. This fund is distributed by the Land Department, through its Energy Development Impact Office, to political subdivisions negatively impacted by oil and gas activity. Most moneys are used for infrastructure repair and improvement projects.
- Changed the distribution formula for gross production taxes allocated to cities and counties and removed the caps that previously limited allocations to certain counties. The impact of these changes, based on the legislative oil revenue forecast, is estimated to reduce state oil revenues by \$28.0 million and provide a corresponding increase to counties and cities.

Three new FTE positions are authorized, 2.0 FTE to deal with increased workload relating to the leasing and management of the mineral interests on state lands, 1.0 FTE relating to the distribution of oil impact grants through the Energy Development Impact Office. One of the minerals management positions can be filled at the discretion of the department, the remaining position may be filled only after Budget Section approval.

In addition to an anticipated \$35.0 million transfer from the lands and minerals trust fund to the general fund during the 2009-11 biennium, the department plans to transfer the following appropriated amounts from permanent trust funds to beneficiary institutions:

Common schools	\$77,000,000
North Dakota State University	1,230,000
University of North Dakota	1,114,000
Youth Correctional Center	438,000
School for the Deaf	356,000
State College of Science	410,000
State Hospital	480,000
Veterans Home	276,000
Valley City State University	260,000
North Dakota Vision Services – School for the Blind	234,000
Mayville State University	178,000
Minot State University – Bottineau	28,000
Dickinson State University	28,000
Minot State University	<u>28,000</u>
Total	\$82,060,000

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 legislature approved the Governor’s proposal to provide \$320,000, an increase of \$120,000, for online library resources purchased by the State Library for use by all public and school

libraries in the state. The purchase of the resources by the State Library is done through a cooperative purchasing agreement with surrounding states and results in a significant cost savings to individual libraries. The legislature also approved the executive budget proposal to provide \$1.3 million, an increase of \$100,000, for state aid to public libraries.

School for the Deaf

The School for the Deaf is the state's educational institution for children with severe to profound hearing loss. Faced with continually declining enrollments and an underutilized campus, the 2009 legislature struggled to assess the future of the School for the Deaf. The legislature directed DPI, which is charged with administrative oversight of the school, and the School for the Deaf to develop a plan for future services to be offered by the school and begin implementing the plan during the 2009-11 biennium. As part of the planning process, DPI and the School for the Deaf are directed to:

- Review the needs of all deaf and hearing-impaired persons in the state and develop an outreach services plan.
- Explore partnerships with other states for the provision of residential and educational services.
- Review current research and national trends in the provision of services to students who are deaf or hearing-impaired.
- Meet regularly with a transition team appointed by DPI consisting of legislators, parents of School for the Deaf students, School for the Deaf employees, community members, School for the Deaf alumni, and others.
- Explore revenue-generating activities.
- Develop a long-range site and facility plan for the campus.

Section 5 of 2009 House Bill No. 1013 allows a transfer of up to \$100,000 from the salaries line item to the operating line to fund the future services plan. If not required for the plan, moneys may be transferred to the capital assets line to fund remodeling of the Trades Building. Salaries savings are anticipated due to the June 30, 2009, retirement of the school's superintendent. On an interim basis, the superintendent of the School for the Blind will assume supervisory responsibility for the School for the Deaf. This shared role is specifically authorized by NDCC Section 25-06-02.2.

In addition to funding for the future services study, the 2009-11 budget for the School for the Deaf includes \$41,000 for the development of a facility master plan.

Concurrently with the development of a plan for future services, the legislature authorized a major capital project on the campus of the School for the Deaf. The 2009 legislature appropriated \$835,000 from the general fund and allowed the agency to borrow up to a matching amount from the Bank of North Dakota to fund the remodeling of the Trades Building, a 1928 two-story building consisting of 12,200 square feet. In addition to the appropriated funding and authorized borrowing, the school may transfer moneys from its salaries line and carryover unspent moneys from the 2007-09 biennium to complete the estimated \$1.67 million project. It is intended to be remodeled and leased for use by an entity other than the School for the Deaf.

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 legislative appropriation provides a substantial increase in funding to support career and technical education in the state. The budget includes \$2.2 million, an increase of \$1.0 million for the continuation of three new virtual area CTE centers authorized by the 2007 legislature. An increase of \$1.8 million is provided for K-12 CTE program reimbursement grants to equalize the reimbursement rate between programs and to

provide a general, inflationary increase in reimbursement rates for all programs. In addition \$250,000 is provided for end of program assessments at the secondary and post-secondary levels, in order to meet federal requirements. Funding for adult farm management programs is increased by \$200,000, to \$750,000. A total of \$390,000, including 1.0 FTE is provided for the training and certification of up to 50 career advisors, to serve as specialized counselors employed by school districts, pursuant to the recommendations of the Commission on Education Improvement.

HEALTH AND HUMAN SERVICES*Department of Health*

The Department of Health promotes healthy behaviors throughout the state, including safeguarding the quality of air, land and water resources. Additionally, the Department oversees medical emergency preparedness, regulates food and lodging and healthcare facilities and provides state forensic examination services.

The executive recommendation included \$183.2 million to fund services provided by the Health Department. Of that, \$21.7 million was from the general fund. The legislature increased that appropriation to \$202.5 million, of which \$24.7 million is from the general fund.

Following an interim study of life safety inspections for new construction and renovation of basic care and long-term care facilities, the Governor included and the legislature approved 2.00 FTE and \$321,910 of which \$215,680 is from the general fund, to conduct life safety inspections.

The following items were increases to the Governor's budget:

- Emergency Management Services training grants of \$1.5 million from the insurance tax distribution fund.
- Emergency medical training grants to rural law enforcement agencies of \$128,400 from the general fund.
- Increased funding to local public health units by \$500,000 from the general fund for total program funding of \$2.4 million.
- Grants of \$50,000 from the general fund for donated dental services.

- Grants of \$180,000 from the general fund for loan repayments to dentists practicing in a public health setting.
- A grant of \$196,000 from the general fund to a non-profit organization to establish a mobile dental care service for dental treatment, prevention and education services to low-income and underserved children in areas with limited dental service availability.
- Newborn hearing screenings were funded with \$50,000 from the general fund.
- Grants to the ND Fetal Alcohol Syndrome Center were funded with \$369,900 from the general fund.
- Grants to domestic violence sexual assault organizations of \$2.0 million, of which \$1.0 million is from the general fund and \$1.0 million is from federal stimulus funding.
- Funding for statewide immunization services of \$1.2 million from federal stimulus funds and \$275,000 from the general fund for a regional public health network pilot project. In addition, if the \$1.2 million federal stimulus funds are not available, a contingent general fund appropriation of \$1.2 million was provided.

Several increases to the executive recommendation were funded from the Community Health Trust fund:

- Additional \$121,727 for tobacco prevention and control, for total funding of \$3.5 million.
- Women's Way funding was increased by \$154,000. The general fund recommendation of \$150,000 was changed to special funds from the community health trust fund, for a total of \$304,332. The Women's Way program provides breast and cervical cancer screenings. Outreach efforts are focused on reaching women in low income and disparate populations.

- The colorectal cancer screening program was continued from the 2007-09 pilot with an increase of \$150,000 for a total of \$300,000 from the Community Health Trust fund. Any remaining funding from 2007-09 can be carried over into the 2009-11 biennium.
- Funding of \$472,700 for a Heart Disease and Stroke registry and prevention program.

Changes of funding from general fund to the Community Health Trust fund were adopted by the legislature:

- Veterinary loan program of \$350,000.
- Medical loan repayment program of \$200,000 for a total program funding of \$347,500, which includes \$75,000 from the general fund. The program definition was changed to include medical personnel such as nurse practitioners, physician assistants or certified nurse midwives.
- Dental loan program funding of \$195,000, used to provide loan repayment grants to new dentists with a preference given to those agreeing to practice in the lower populated areas.

Reductions from the executive recommendation include the following:

- Decreased the Russell-Silver Syndrome grants from \$100,000 to \$50,000.
- Reduced operating by \$250,000 of which \$100,000 is from the general fund.

Appropriation authority was approved for American Recovery and Reinvestment Act (ARRA) funding. This is in addition to the domestic violence and statewide immunization grants mentioned earlier.

- Water quality grants - \$194,300

- Superfund arsenic trioxide project grants - \$7.0 million
- Clean diesel grants - \$1.73 million
- Clean water state revolving loan fund administration - \$769,564
- Drinking water state revolving loan fund administration - \$780,000
- Stop violence against women - \$511,661
- Women's, infants' and children - \$61,800

Tobacco Control Advisory Committee

North Dakota voters approved Measure No. 3 in November, 2008. This measure established the Tobacco Prevention and Control Advisory Committee, a new state agency, to develop and fund a comprehensive tobacco control plan. Funding for this program will be from all strategic contribution payments received under the tobacco Master Settlement Agreement. Effective April 2008, the state began receiving the strategic contribution fund payments, however deposits into the tobacco prevention and control trust fund began with payments received after the effective date of the measure, December 4, 2008. The Tobacco Advisory committee plan will be designed to follow the Centers' for Disease Control and Prevention best practices, which recommends annual investments of \$9.3 million. Therefore the Governor recommended an appropriation of \$18.6 million for the 2009-11 biennium.

The Tobacco Advisory Committee requested and the legislature approved a reduced appropriation of \$12.9 million based on a more current projection of the budget needed for the 2009-11 biennium. The Tobacco Advisory Committee will work with the Department of Health to contract for fiscal administration and grant distribution services. The legislature

also approved 4.00 FTE to the Advisory Committee to assist with administration of the plan and grants distribution.

Veterans Home

The North Dakota Veterans Home is a skilled and basic care facility for veterans and their spouses. The current facility has a 38 bed skilled unit and 111 bed basic care unit. The skilled unit provides around the clock nursing care for residents who need ongoing nursing supervision and/or assistance with activities of daily living. The basic care unit provides care to veterans as long as they are ambulatory and able to care for their own personal needs. The basic care unit does have a nurse available for emergency care 24 hours a day. The North Dakota Veterans Home has secured funding through a Veterans Affairs Home Construction grant program to build a new Veterans Home at the same location as the existing home. The Governor recommended an additional appropriation of \$13.3 million for the new 150 bed facility. The legislature approved \$8.3 million from the general fund, and \$5.7 million federal funding, of which \$3.0 million is federal stimulus funds. This funding, in addition to the funding appropriated in the 2007-09 biennium, totals \$35.1 million. In addition, the legislature provided a contingent appropriation of \$3.0 million in the event federal stimulus funding is not available for the geothermal heating system.

Additionally, the Governor included \$110,000 from the general fund for a construction manager to oversee the building project. The legislature reduced that amount to \$90,000, and required the submission of quarterly reports of the project status to the Budget Section.

Construction Project Funding

	2007-09	2009-11		Total
	SB 2418	SB 2025	SB 2075	
General Fund		7,944,991	350,000	8,294,991
Permanent Oil Tax Trust fund	6,483,226			6,483,226
Revenue Bond Proceeds	2,575,152			2,575,152
Federal Grant	12,040,278	2,643,904		14,684,182
ARRA Funding			3,039,414	3,039,414
Total Facility Funding	\$ 21,098,656	\$ 10,588,895	\$ 3,389,414	\$ 35,076,965
<i>Contingent General Fund</i>			\$ 3,039,414	38,116,379

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. The Governor’s recommendation of \$1.0 million included an increase of \$50,000 for county veterans service officer training. In addition, the legislature authorized grant funding of \$20,000 to provide grants to counties for the purchase of laptop computers for county veterans service officers to enhance their training and outreach to veterans. The legislature also provided \$20,000 in HB1057 for accreditation training to county veterans service officers.

Department of Human Services

The Department of Human Services is an umbrella agency appointed by the Governor. The Department consists of: the eight Regional Human Services Centers, the State Hospital and Developmental Center, Program and Policy, Economic Assistance, and Medical Services programs as well as Administrative Support Services.

- Program/Policy Management is comprised of seven major programs:
- Economic Assistance Policy - Including TANF, Food Stamps, Low Income Heating Assistance Program, Child Care Assistance.
- Medical Services - Including Nursing Homes, all Medicaid waiver services along with Home and Community Based Services.
- Child Support Enforcement.
- Aging Services - Older Americans Act programs.
- Children and Family Services.
- Mental Health/Substance Abuse - Including the Decision Support Services function for the agency.
- Disability Services - Including Disability Determination Services, Disability Services policy and Vocational Rehabilitation.
- Field Services is comprised of:
 - Eight Human Service Centers located in each of the Governor's designated planning regions, providing a comprehensive array of outpatient clinical and community services including:
 - vocational rehabilitation, mental health services, developmental disabilities services, social services, addiction counseling, and emergency and outreach services.
 - The State Hospital located in Jamestown - Providing treatment for mental illness and substance abuse.
 - The Developmental Center at Westwood Park located in Grafton - An educational and training facility for persons with developmental disabilities.

The Governor's recommendation for the Department of Human Services included \$2.262 billion of which \$721.5 million was from the general fund. The legislature adopted a \$2.288 billion budget with \$650.6 million from the general fund. This is a

general fund increase of \$54.9 million, or 9.2 percent, from the 2007-09 biennium.

Major programs recommended by the Governor and adopted by the legislature include:

Overall

- **Inflationary Increases** - Inflationary increase of 6 percent for providers each year of the biennium were approved with \$77.3 million, \$30.4 million from the general fund. For those being rebased, hospitals, physicians, chiropractors and ambulances, – the inflation is for year 2 only. Dentists will also receive 6 percent year 2 only. This is a reduction from the executive recommendation of 7 percent.
- **FMAP** - Federal stimulus funding will raise the FMAP to 69.95 percent. (\$66.5 million of FMAP stimulus for the first 17 months of 2009-11) Federal stimulus provided a hold harmless rate of 63.75, which restored North Dakota to the 2008 rate. In addition an across the board increase of 6.2 percent was provided. The following FMAP rates were included in the executive recommendation, and revised in the legislative appropriation to include the stimulus FMAP:
 - Federal Fiscal Year (FFY) 2009 – 63.15 percent: increased to hold harmless of 63.75 percent plus 6.2 percent across the board.
 - Federal Fiscal Year (FFY) 2010 – 63.01 percent: increased to hold harmless of 63.75 percent plus 6.2 percent across the board.
 - Federal Fiscal Year (FFY) 2011 – 60.69 percent.

In addition, the budget includes \$9.5 million for a projected FMAP drop, after the stimulus funding, to

60.69 percent in FFY 2011 (last 7 months of 2009-11 biennium)

- **Line of Credit** - Includes legislative authority to obtain an \$8.5 million loan from the Bank of ND along with the federal funds that can be accessed for a total of \$23.0 million, in the event the utilization / caseload reductions were too deep. Language was also added regarding a deficiency appropriation if the Bank of ND Loan is not sufficient. Following are the reductions by service:
 - Medical Services - Caseload / utilization decrease of \$9.6 million general fund, \$26.0 million total funds.
 - Long Term Care – Non-DD - Caseload / utilization decrease of \$5.6 million general fund, \$15.1 million total funds.
 - Long Term Care – DD - Caseload / utilization decrease of \$2.4 million general fund, \$6.7 million total funds.
- **Salary Underfunding** - The executive budget included salary underfunding at the State Hospital of \$988,682 in traditional and \$368,091 in secured services. The Legislature underfunded the Department's pay plan by an additional \$1.4 million from the general fund to be allocated Department-wide.

Economic Assistance Policy

- In addition to continuing to fund childcare needs based on current eligibility levels, the Governor and the legislature provided \$274,000 from the general fund to increase the monthly payment for child care assistance. Currently the maximum rate is below the average charged by childcare centers and group facilities.
- Includes full funding of the statutory formula for Indian County Allocations with an increase of \$454,000 over the current budget of \$2.9 million. The statute requires 100% reimbursement of expenses of locally

administered economic assistance programs in the counties. Without the funding included in the executive recommendation, reimbursement would have only been at 86 percent.

- HB1540 adds \$549,938 for Indian County Allocation and changes the distribution methodology to more adequately reimburse counties with reservation land.

Child Support

- Continues to fund the operating costs of the eight regional child support units transferred from the counties to the state by the 2007 legislature with \$3.4 million from the general fund.
- Reduced 7.50 FTE from Child Support and provided a Child Support Regional oversight manager.

Medical Services

- **State Childrens Health Insurance Program (SCHIP)**- The Governor's recommendation increased the eligibility income limits for Healthy Steps, the State Childrens Health Insurance Program, to 200 percent net of the federal poverty level, and provided 1.50 additional FTE. The legislature reduced that to an increase of 160 percent net and removed the 1.50 FTE. The total program funding is \$21.6 million; \$5.6 million from the general fund. This provides an overall increase from the 2007-09 biennium of \$1.4 million, \$900,000 general fund. The cost of an average monthly premium is \$228.70. Increased eligibility may result in an additional estimated 439 children, totaling an average of 3,941 children per month.
- Includes an increase in the number of eye exams and glasses from every three years to every two years as recommended by the Optometric Practice Guidelines.

- **Funeral Set-aside** - Allows Medicaid recipients to retain an additional \$1,000 for a total of \$6,000 in a funeral set-aside account.
- **Rebased Rates** - Appropriates \$66.5 million of which \$24.6 million is from the general fund to rebase payment rates for medical assistance program providers including:
 - Hospitals at 100 percent; \$22.0 million, \$8.1 million general fund.
 - Physicians at 75 percent; \$39.8 million, \$14.7 million general fund.
 - Chiropractors at 75 percent; \$312,000, \$115,377 general fund.
 - Ambulance providers at the Medicare rate; \$2.0 million, \$743,710.
 - Dentist fees reimbursed at an average of 75 percent of billed charges; \$2.4 million, \$904,167 general fund.
- **Hospice for Children** - Implements a hospice program for families of terminally ill children with \$856,410 of which \$316,700 is from the general fund.
- **Medically Needy Income Level** - Increases the medically needy income levels from 64 percent to 83 percent of the federal poverty level allowing recipients to retain more of their income for food, shelter and utilities.

Long Term Care – Non Developmental Disabilities

- **Home Delivered Meals** - Includes adding 4 additional home delivered meals to those receiving services, for a total of 7 meals per week.
- Includes adding nonmedical transportation to Home and Community Based Services (HCBS) for SPED and Expanded SPED.

- **PACE** - Expands the Program for All-Inclusive Care of the Elderly (PACE) with an increase from \$1.4 million to \$7.4 million.
- **Service Payments for Elderly and Disabled (SPED) Fee Schedule** - Includes \$601,549; \$571,472 general fund, to reduce the fee payment schedule for the elderly and disabled who qualify for the SPED program. The schedule, based on cost of living adjustments, was last updated August 2003.
- **Adult Family Foster Care, Removal of Cap** - Allows adult family foster care providers to receive the full reimbursement per individual served, at a cost of \$173,293 from the general fund.
- **Personal Care Services – 3rd Tier** - Expands the personal care services available for assistance with activities of daily living (ADLs) by approving \$1.0 million from the general fund out of a total \$2.8 million additional funding.
- The legislature provided funding of \$120,000 from the general fund for the Community of Care program currently in place in Cass County.
- **Personal Needs Allowance SSI Only** - Includes funding to increase the social security personal needs allowance from \$30 to \$50. This allows individuals in an institutional setting money for personal needs such as clothing and toiletries.
- **Personal Needs Allowance – Basic Care** - Includes an increase from \$50 to \$85 for personal needs of basic care residents.
- **Nursing Home and Basic Care Salary increase** - In addition to the inflationary increases, funding of \$18.0 million, \$5.5 million general fund, provides an average estimated 80 cents per hour supplemental payment for

individuals employed by basic and nursing care facilities except for administrators and contract nursing.

- **Qualified Service Providers (QSPs)** – Funded \$1.8 million, \$853,268 general fund, for \$1.00 per hour increase to QSPs.

Long Term Care – Developmental Disabilities

- **Developmental Disabilities Providers** - Provides \$21.6 million with \$7.1 million from the general fund for an average estimated \$1.00 per hour increase to DD providers, not to include administrators.
- **Individualized Supported Living Arrangements (ISLAs) and Family Care Option III** – The Budget includes an increase to the administrative reimbursement to the ISLA and Family Care Option III providers who support individuals with high levels of need. The increase is intended to insure community placements are available and to prevent additional institutional admissions.
- **Personal Needs Allowance – Intermediate Care Facilities for the Mentally Retarded (ICF/MR)** - Includes funding to decouple the allowance for ICF/MRs from Nursing Homes and increases the monthly allowance to \$85 per month (was at \$50 per month).
- **Intense Medical Needs** - Includes funding for Intense Medical Needs for adults in residential facilities and for children being cared for in their homes with intense medical needs.
- Includes additional funding of \$1.6 million general fund, \$4.2 million total, for severely medically fragile and behaviorally challenged individuals.
- **Autism** - Creates a program to provide support for children under the age of 5, diagnosed with Autism Spectrum Disorder. The Governor’s recommendation

included funding for 1.00 FTE, which was removed by the legislature.

Aging Services

- **Aging and Disability Resource Center (ADRC)** - The legislature removed the Governor’s recommendation to establish an ADRC as a single-point-of-entry to long term care services for the elderly and disabled.
- **Senior Service Providers** - The executive recommendation included and the legislature adopted enhanced funding for senior service providers by \$900,000 to assist with the costs of providing meals to the elderly. In addition, federal stimulus funding of \$485,000 was provided.
- Includes \$143,288 of federal stimulus funding for the Senior Employment program.

Children and Family Services

- **Family Foster Care** - Includes an increase to Family Foster Care rates in the budget.
 - Brings rates to the MARC (Minimum Adequate Rates for Children)
 - Ages 0-4 from \$404 to \$584
 - Ages 5-12 from \$457 to \$669
 - Ages 13+ from \$595 to \$734
- **Family Preservation** - Extends the family preservation programs to Standing Rock and Spirit Lake Tribes with \$300,000 from the general fund. Previously funding was provided to two of the four tribes.
- **Childcare Providers** - Includes \$308,496 and two .50 FTE to conduct required background checks of all childcare providers. Additionally, funding and FTE are included in the Attorney General’s Office budget. Costs for state background checks will be handled by the Attorney General’s Office and costs for the FBI checks

will be charged to the Department of Human Services. It is anticipated 4,800 additional background checks will be conducted.

Mental Health / Substance Abuse

- **Governor's Prevention and Advisory Council** – Provides \$100,000 for grants to the Governor's Prevention and Advisory Council for the prevention of drug and alcohol abuse among youth.
- **Gambling Addiction** - Enhances the existing \$400,000 lottery funding for gambling addiction services with an additional \$250,000 from the general fund for a total of \$650,000.

Developmental Disabilities

- Includes funding of \$297,358 from the general fund for Section 11 contracts. This is a DD program for those who do not qualify for Medicaid and are not screened eligible under the DD waiver. Job coaching and similar services are provided to keep those with developmental disabilities in the community.
- Includes \$2.1 million of stimulus funding under Part C, IDEA program, which provides services to those up to three years of age with a disability.

Vocational Rehabilitation

- **Centers for Independent Living** - Expands funding for the Centers for Independent Living with \$400,000 from the general fund to locate branch offices in rural regions of the state. Additionally federal stimulus funding of \$243,000 will be provided to the program for a total program funding of nearly \$2.0 million.
- Includes federal stimulus funding of \$1.8 million for Vocational Rehabilitation and \$3,170 for the Older Blind program.

Human Service Centers

- **Cooper House** - Funding was included to provide for the 24/7 program assistant at the Cooper House project - \$236,520 general fund, \$315,360 total funding. The Cooper House project provides transitional housing to homeless individuals in the southeast region.

Developmental Center

- **Consultation Assistance Resources Evaluations and Services (CARES)** – Includes funding in the base budget to establish a CARES team to keep clients with developmental disabilities in the community.

The Governor's Recommendation included additional support for the following programs, which was not adopted by the legislature:

- Funding to address the mental health and substance abuse capacity issues within the Human Service regions and referrals to the State Hospital. The Governor's budget included providing residential services and adding staff across the regions, adding six additional staff to the State Hospital and providing for a consistent rate for inpatient hospital services across the State, totaling \$4.5 million of funding, \$4.1 million from the general fund.
- Funding transitional care services with two 8-bed facilities in the Southeast and West Central regions, to assist young adults by closing the gap between youth and adult facilities, reducing the risk of getting them involved with the legal system. The funding level was nearly \$1.2 million, including \$830,000 from the general fund.
- Funding 4.00 FTE and \$402,504 for DD Case aids in four regions (NC, NE, SE and WC). to provide more oversight and monitoring of the DD system.

- Funding a Partnership Care Coordinator with \$92,214 and 1.00 FTE to continue to provide coordination of services and caseload management.
- Funding to assist vulnerable adults by providing 1.00 additional FTE for protection services in the south central region of the state.

REGULATORY***Insurance Department***

The Insurance Department is the state's insurance regulatory agency, headed by the Insurance Commissioner, an elected official. The legislature adopted the executive recommendation to provide \$790,000, an increase of \$500,000, in state grants to the North Dakota Firefighters Association to assist fire departments in meeting federal training standards. The recommended \$790,000 includes \$170,000 from the fire and tornado fund and \$620,000 from the insurance premium tax distribution fund. The training will allow North Dakota fire departments to meet the national standard for training and remain competitive in applying for federal grants.

In addition, the legislature authorized a one-time transfer of \$500,000 from the insurance regulatory trust fund (which would have otherwise been transferred to the general fund) to the state bonding fund. The transfer was authorized as an emergency measure and took place prior to the close of the 2007-09 biennium. The transfer was deemed necessary to ensure that the balance in the bonding fund would remain above the \$2.0 million statutory requirement. Falling below \$2.0 million would have triggered a statewide assessment. Investment losses have contributed to the decline in fund balance.

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, North Dakota Pipeline Authority, North Dakota Oil and Gas Research Program and provides funds for renewable energy development, lignite research, marketing, transmission and environmental studies.

The executive recommendation for the Industrial Commission was \$65.1 million, of which \$15.8 million was from the general fund. The Legislative Assembly approved this budget with two changes. First, 1.00 FTE and \$191,166 were provided for a new geologist position. Second, the budget for operating expenses was reduced by \$150,000. As recommended by the Governor, a \$478,000 contingent appropriation from the land and minerals trust fund and 3.00 additional FTE were authorized in anticipation of increased oil and gas production and possible potash or uranium mining within the state. Authorization for 2.00 FTE will be triggered if the average drilling rig count exceeds 100 active rigs for any consecutive three-month period during the biennium. The third FTE is authorized for permitting and program oversight as soon as a potash or uranium solution mining application is received.

As recommended by the Governor and approved by the Legislative Assembly, no new general fund bonding projects are included within the 2009–11 state budget. Authority for the \$27.4 million of payments due on existing bond issues is included within the Industrial Commission appropriation.

Special, one-time appropriations contained in the Executive Recommendation and approved by the Legislative Assembly include:

- \$3.0 million transfer to the renewable energy fund for research, development, marketing and educational projects or activities to foster development of renewable

energy, including biomass research. Governor Hoeven had recommended a transfer of \$5.0 million.

- \$62,001 from the general fund to study sand deposits for potential use in the fracturing process for oil and gas wells.
- \$31,151 from the general fund to research potential coal-bed methane drilling areas in Mercer County and other western areas of the state.

In addition, the Legislative Assembly added the following one-time budget items:

- \$185,000 from the general fund for recruitment and retention bonuses for scientific and engineering employees.
- \$400,000 from the general fund to conduct a lignite feasibility demonstration project at the University of North Dakota.

The Governor recommended that \$5.0 million of the state's share of oil and gas production and oil extraction tax revenues be deposited into the oil and gas research fund, which would have been a \$2.0 million increase. However, SB2051 reduced the total to \$4.0 million, an increase of \$1.0 million from current levels.

North Dakota Housing Finance Agency

North Dakota Housing Finance Agency's (HFA) mission is to make housing more affordable for North Dakota's low and moderate income residents and to assist developing communities to address their unmet housing needs and alleviate housing shortages. To fulfill this mission, HFA develops and administers individual mortgage loan purchase and grant programs, single family and multi-family property rehabilitation programs, and multi-family housing development

and preservation tax credits. HFA also provides grants and technical assistance to rural communities and special needs populations, including housing counseling and homebuyer education.

The Legislative Assembly approved a \$71.3 million special fund budget for HFA, which includes \$30.4 million in federal stimulus funding for the HOME tax credit assistance program (\$4.8 million) and the low-income housing tax credit exchange program (\$25.5 million.) Three of the four new positions recommended by the Governor for program growth and expanded outreach were authorized by the legislature, as was \$248,000 in one-time relocation expenses.

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 \$54.1 million, of which \$10.8 million was from the general fund, \$42.4 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 \$55.3 million, of which \$11.1 million are general fund dollars.

General fund loan programs proposed by the Governor and approved by the Legislative Assembly include:

- \$8.0 million for Partnership in Assisting Community Expansion (PACE).
- \$700,000 for the Biofuels PACE fund, down from the \$1.4 million included in the executive budget.
- \$1.4 million for the traditional Agriculture PACE program and another \$1.0 million to assist farmers and livestock producers with extraordinary losses from 2009 winter and spring weather-related events. BND may transfer \$1.0 million from bank earnings and undivided profits to the general fund to fund this new program.

The Governor proposed a \$60.0 million transfer to the general fund from BND profits during the 2009-11 biennium; however, the Legislative Assembly eliminated this transfer. SB2332 provides for a transfer of up to \$8.0 million from bank profits to the newly created health information technology loan fund, if requested by the director of the health information technology office.

State Mill and Elevator

The State Mill and Elevator, located in Grand Forks, North Dakota, is 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 2009-11 biennial budget of \$40.1 million and the repeal of the \$5.0 million transfer from Mill profits to the general fund that had been planned for the 2007-09 biennium.

The Legislative Assembly directed that in future bienniums, the Mill will transfer 5 percent of annual net income to the agricultural fuel tax fund for use by the Agricultural Products Utilization Commission. Subsequently, the Mill must then transfer 50 percent of remaining annual earnings and undivided profits to the general fund. Transfers must be made at the end of each fiscal year, rather than the end of the biennium as is currently done.

During the 2009-11 interim, the Industrial Commission is required to hire a consultant to evaluate and compare the Mill and Elevator to industry standards for financial data; cash flow data; marketing, operating and other ratios; pretax income levels; capital investment levels; and officer/employees compensation guidelines. A report to the Budget Section must be made, exclusive of proprietary information.

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.

The executive budget provides \$320,000 for anticipated state fleet rate increases during the 2009-11 biennium, a critical component of the Patrol's budget. The budget also includes \$500,000 for IT initiatives, including additional T1 lines to transfer and store digital in-car video, additional data storage for digital accident investigation photographs, expanded E-Permit capabilities, enhanced electronic data reporting for troopers, GPS data collection and reporting integration with case management software, cellular air cards to allow faster access for troopers in the field, and development of an electronic commercial vehicle information exchange window system.

The legislative budget includes 1.00 FTE permit technician to deal with increased demand for size and weight permits. Also included is \$100,000 to increase officer per diem from \$170 per month to \$200 per month, the first increase since 1997.

Office of the Adjutant General

The Office of the Adjutant General 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 53 local and four tribal emergency management organizations.

The Governor recommended a budget of \$148.9 million for 2009-11, with \$28.9 million coming from the general fund and the remaining \$120.0 million from federal and other funds. This represented an overall decrease of 5.7 percent from the 2007-09 budget and resulted from a reduction in federal funds. As a result of the 2009 flood and snow disasters as well as the federal stimulus plan, the final legislative appropriation totaled \$277.4 million, an increase of \$128.5 million above the Governor's recommendation. Of this increase, \$11.8 million was from the general fund, \$73.6 million federal funds, with the remaining \$43.0 million from special funds.

Major general fund programs included within the Governor's budget and approved by the Legislative Assembly were:

- \$1.0 million from the general fund and 1.00 FTE to enhance the reintegration program that serves all military veterans and their families.
- \$500,000 from the general fund to expand the veteran's bonus program to address multiple deployments, as well as authorization to carryover unexpended general fund Veteran's Bonus grant funds for similar bonuses in the 2009-11 biennium.
- \$2.1 million from the general fund to develop a statewide seamless base map.
- \$1.0 million from the general fund to enhance the computer aided dispatch for interoperability and automatic vehicle location.
- \$500,000 to lease or purchase state radio tower space in under-covered areas of the state.

- \$1.5 million from the general fund to lease radio equipment due to declining federal revenue.
- \$260,000 from the general fund for increased costs of overtime, insurance, tower maintenance and Civil Air Patrol training and fuel.
- \$193,637 from the general fund to partially fund 8.00 vacant National Guard FTE that were previously funded with federal dollars.
- \$121,630 from the general fund and 1.00 new FTE for a computer network specialist to provide around-the-clock coverage to state radio.
- \$131,494 federal and special fund authority and 1.00 FTE for an emergency program specialist to sustain the agency's disaster recovery functions.
- \$160,000 from the general fund to purchase critical state radio equipment and software.
- \$2.0 million to maintain the tuition assistance program at the present level.
- \$400,000 for military recruiting and retention bonuses.

Federal stimulus funds were used by the Legislative Assembly to replace general fund dollars Governor Hoeven had recommended for the following three projects:

- \$500,000 for extraordinary repairs at the Bohn Armory in Bismarck and the Minot Air Force Reserve Center.
- \$450,000 to construct the east operations center facility for use by senior military and government officials during emergencies.
- \$311,500 for an upgrade to National Crime Information Center validation, auditing and training software.

In response to the snow and flood disasters that battered the state during the winter of 2008-09, the Legislative Assembly

amended appropriations bills and approved multiple pieces of separate legislation as follows:

- SB2444 appropriated \$12.5 million from the general fund and authorized \$20.0 million in federal funds to defray the expenses related to the flood disaster. Another \$50.0 million in federal spending authority was added in HB1016 for the same purpose.
- SB2393 provided \$1.0 million from the general fund and HB1023 added another \$1.4 million to provide snow disaster assistance to political subdivisions during the 2007-09 biennium.
- SB2012 created the state disaster relief fund and appropriated a total of \$43.0 million from the fund for disaster response grants to political subdivisions. Of this amount, \$20.0 million was designated for emergency snow removal grants with the remaining \$23.0 million dedicated to emergency flood relief grants.
- HB1016 provided \$400,000 from the general fund for grants of up to \$50,000 to political subdivisions that contract with volunteer management service organizations for disaster response activities.

Department of Corrections and Rehabilitation

The budget for the Department of Corrections and Rehabilitation continues department efforts to ensure safety for the public and corrections staff, while providing programming, education, and treatment services to rehabilitate offenders and reduce recidivism. The budget includes \$64.0 million, of which \$19.5 million is from the general fund, for the proposed construction and renovation project at the North Dakota State Penitentiary. The project addresses critical needs in four areas: medical facilities, orientation facilities, administrative segregation, and inmate housing (including demolition of the east cell house).

Inmate population growth has slowed during the 2007-09 biennium and the 2009-11 budget assumes inmate growth of less than 2.0 percent per year for both male and female inmates, a considerably slower rate of growth than the department has experienced previously. Based on the projected inmate population for the 2009-11 biennium, the executive budget provided \$5.6 million to maintain existing programs and services at anticipated contract rates. The legislature reduced this amount by \$1.0 million.

The legislature authorized 24.00 new FTE positions:

- 21.00 FTE to convert long-term temporary positions to permanent FTE status.
- 3.00 FTE new correctional officer positions.

Other significant items in the department's budget include:

- \$615,474 to continue Juvenile Community Services tracking services, intensive in-home, and day treatment programs, previously operated with federal funds. Federal Title XIX funds are no longer available for these programs. The programs are important measures to keep juvenile offenders in the community and avoid costlier placements at the Youth Correctional Center.
- \$160,000 to provide temporary, secure contract housing for sex offenders released from incarceration in order to

reduce recidivism and ensure public safety. The department received an appropriation of federal stimulus funding, as well as a contingent general fund appropriation, for this program.

- \$1.6 million for extraordinary repairs, including \$1.0 million for one-time repairs.
- \$950,000 for equipment purchases, including \$800,000 for one-time equipment purchases.
- SB2028 reduces the community supervision fee to be assessed against offenders from \$50 to \$25 per month. This is anticipated to reduce collections deposited in the community service supervision fund by \$40,000 per biennium. The department has \$62,500 of special funds authority to distribute these grants, up to the amount actually collected. In addition, SB2178 provides an appropriation of \$375,000 to the Office of Management and Budget to provide \$187,500 per year to thirteen community corrections agencies. The 2007-09 general fund appropriation to the DOCR for these grants was \$100,000.
- \$800,000 for faith based programs, an increase of \$292,000 from the 2007-09 biennium.

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's recommended budget for the Commissioner of Agriculture in HB1009 was \$20.8 million of which \$6.9 million was from the general fund and \$13.9 from federal and special funds. Including SB2342, the legislature approved a total budget of \$21.6 million with \$7.5 million from the general fund and \$14.1 million from special and federal funds.

Governor Hoeven's recommended budget included additional general fund support for agriculture mediation; \$120,000 to move part of the office outside of the capitol complex to reduce crowded office space; one additional position for meat inspection, pesticide outreach and phyto-sanitary plant inspections; \$75,000 increase to the Dairy Coalition for a total budget of \$150,000; additional salary dollars of \$172,000 to address salary equity issues; and an increase of \$147,000 to Wildlife Services for their efforts to reduce agricultural damages from predators, beavers and blackbirds.

With the exception of removing the salary equity dollars, the Governor's recommended budget for the department remained unchanged. However, various additions were made by the legislature including:

Meat Inspection Program

- Authorized an additional meat inspector position supported by \$39,000 from the general fund and \$36,000 federal matching funds resulting in a total of 13.50 meat inspectors and a 0.50 FTE grader position for the 2009-11 biennium.
- Provided statutory language encouraging the agency to seek approval from the Emergency Commission for an additional meat inspector if the agency is not able to meet the demands of the program. However, authorization of this position was included in the total FTE in HB1009.

Board of Animal Health

- Added \$155,000 from the general fund for a new field inspector position to ensure that animals brought into the state have certificates of veterinary inspection and to assist with other animal health responsibilities to prevent the spread of infectious diseases.
- Appropriated \$275,500 from the general fund for the testing and control of Johne's disease. (SB2342 and HB1009)
- Maintained the recommendation of utilizing \$200,000 from Game and Fish funds for the Board to work on non-traditional livestock issues.

Wildlife Services

- Authorized the recommended \$1.1 million for Wildlife Services comprised of \$768,800 from Game and Fish funds and \$298,600 from the general fund.
- Included language on the consideration of a legislative study on the cooperative agreement between the agriculture commissioner and the US Department of Agriculture Wildlife Services Program.

Dairy Coalition

- Provided a total budget of \$250,000 comprised of a \$75,000 base budget, a \$75,000 increase recommended by the Governor and an additional \$100,000 appropriated by the Legislature.

Plant Services

- Added \$140,000 from the Environmental and Rangeland Protection Fund (ERP) for a pesticide registration specialist for the 2009-11 biennium only. The FTE will have to be requested as a new position if the Commissioner decides to extend employment beyond June 30, 2011.
- Increased funding by \$40,000 from the ERP fund for Project Safe Send and provided an emergency measure to assist in flood related pesticide cleanup activities.
- Provided an additional \$48,922 from the ERP fund to cover the costs associated with the Weed Seed Free Certification program authorized in HB1270.
- Amended NDCC Section 19-18-04 to have the registration fees for pesticides flow directly into the ERP fund resulting in a general fund reduction of an estimated \$550,000 for the 2009-11 biennium.

Executive Services

- Increased the Pride of Dakota program by \$50,000 from the general fund for the advertising and promotion of the wine industry.
- Amended Section 4-01-19 for the deposit of dollars received from Pride of Dakota activities into the agency operating fund rather than the general fund.

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. Within the Economic Development and Finance Division is an international business and trade office; the Community Services Division includes an office of renewable energy and energy efficiency.

The Governor recommended an agency budget in SB2018 for the Department of Commerce of \$88.2 million, of which \$34.5 million was from the general fund, \$44.8 million federal funds and the remaining \$8.9 million from special funds. The legislature approved in SB2018 and several other bills, a total budget of \$192.3 million of which \$54.0 million is from the general fund and the remaining \$138.3 million from other funds. Federal stimulus funds account for more than \$68.6 million of the difference from the executive recommendation. The agency was authorized an additional 2.00 FTE for 2009-11.

Economic Development & Finance

- Appropriated \$1.0 million from the general fund for a technology-based entrepreneurship grant program.
- Appropriated a \$200,000 increase from the general fund for Innovate ND for a total of \$400,000 general fund dollars for the 2009-11 program.
- Authorized \$50,000 from the general fund for an equine processing facility feasibility study. (HB1496)

Centers of Excellence:

- Authorized \$15.0 million from the general fund for the Centers of Excellence (COE) program. An additional transfer of \$5.0 million will be made contingent on

actual revenues exceeding the legislative forecast by \$5.0 million for the period ending December 31, 2009. Governor Hoeven's recommendation in OMB's HB1015, was \$15.0 million from the general fund and \$5.0 million borrowing authority.

- Set aside \$10.0 million of the COE funds for research universities or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities.
- Prohibited \$10.0 million of the COE funds from being used on construction, changed the matching requirements, and limits each campus to two applications per round.
- Provided \$50,000 from the general fund for a best practice review of the COE program.

North Dakota Trade Office

- Provided \$64,000, in addition to the \$500,000 general fund increase included in the executive recommendation, to expand activities in the North Dakota Trade Office.
- Included language that 62.5 percent (\$1.3 million) does not require matching funds; however, the remaining amount provides for a dollar-for-dollar matching by private or public sources.

North Dakota Division of Tourism

- Provided the \$912,000 general fund inflationary increase included in the recommendation, plus an additional \$250,000 for tourism marketing.
- Added \$1.5 million general fund dollars for the Lewis and Clark foundation for construction, which must be matched on a dollar-for-dollar basis.
- Authorized \$500,000 for a grant to the Theodore Roosevelt Medora foundation to be used for

construction. The funds are only available after \$12.0 million in matching funds from non-state sources has been secured.

- Agreed with the executive recommendation of \$100,000 for the promotion and marketing of the U.S.S. North Dakota submarine.

Workforce Development

- Transferred \$1.0 million from the general fund compared to \$2.0 million included in the recommendation, to the workforce enhancement fund to make grants to institutions of higher education to create or enhance training programs.
- Reduced by half Governor Hoeven's recommendation for a \$600,000 general fund increase for Operation Intern. The total general fund support for 2009-11 is \$900,000 with an expanded role to include apprenticeships as well as 11th and 12th grade high school students.

Community Services

- Appropriated as recommended, \$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.
- Reduced the Governor's recommendation of \$2.0 million to \$1.0 million for the biofuels blender pumps program; however, the legislature authorized \$1.0 million in federal stimulus funds that may be accessed for this purpose.
- Added a grant of \$5.0 million from the general fund for the construction of a great plains applied energy

research center on the Bismarck State College campus. (HB1350)

- Authorized \$1.8 million from the general fund for matching funds to establish or expand childcare options. The executive recommendation was \$3.5 million. (SB2225)
- Added \$125,000 general fund dollars to grant to community action agencies in the state to provide matching funds for individual development accounts. (SB2260)
- Provided \$68.6 million federal authority related to federal stimulus funds.

the Extension Service and the Research Centers is \$212.1 million, an increase of 9.6 percent over the 2007-09 adjusted appropriation of \$193.4 million. The budget includes a general fund increase of \$21.3 million over the 2007-09 adjusted general fund appropriation of \$76.3 million, bringing the total general fund dollars to \$97.6 million for 2009-11.

In total, the Legislative Assembly added \$5.8 million to the Governor’s recommended 2009-11 budget, an increase of 2.83 percent. Federal dollars represented \$3.7 million of the increase, \$1.0 million was from the general fund, and the remaining \$1.1 million was special fund authority. The following chart is a summary by agency:

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

The 2009-11 legislative appropriation for Upper Great Plains Transportation Institute (UGPTI), Northern Crops Institute(NCI),

	2007-09	2009-11	2009-11	Percent of Change from	
	Adjusted Appropriation	Executive Recommendation	Legislative Appropriation	2007-09	Executive Recommendation
UGPTI	\$27,571,521	\$23,326,992	\$26,326,992	-4.51%	12.86%
Branch Research Centers	\$25,928,018	\$26,169,006	\$27,559,006	6.29%	5.31%
NDSU Extension Service	\$42,536,731	\$47,403,957	\$47,929,289	12.68%	1.11%
Northern Crops Institute	\$2,635,146	\$3,037,486	\$3,037,486	15.27%	0.00%
Main Research Center	\$93,503,365	\$105,002,142	\$105,930,418	13.29%	0.88%
Agronomy Seed Farm	\$1,233,576	\$1,275,238	\$1,275,238	3.38%	0.00%
TOTAL	\$193,408,357	\$206,214,821	\$212,058,429	9.64%	2.83%
General	\$76,290,237	96,595,159	\$97,613,767	27.95%	1.05%
Federal	\$35,647,991	29,573,743	\$33,273,743	-6.66%	12.51%
Special	\$81,470,129	80,045,919	\$81,170,919	-0.37%	1.41%
TOTAL	\$193,408,357	\$206,214,821	\$212,058,429	9.64%	2.83%
Full Time Equivalent	774.43	784.43	786.43	12.00	2.00

The Legislative Assembly approved the Governor's recommended budget for UGPTI, which included an additional \$290,362 from the general fund towards the agency's core administrative expenses. This represents a 24 percent increase over the 2007-09 UGPTI general fund budget. Federal spending authority for construction of the Center for Transportation Study building was increased by \$3.0 million, to a total of \$8.5 million, in anticipation of possible federal stimulus grants.

Governor Hoeven proposed a \$3.0 million budget for NCI which was approved by the legislature with no changes. The 2009-11 appropriation increased the NCI staff by 1.00 new FTE for a milling specialist. This position will enhance the agency's milling expertise with grains, pulse crops and oilseeds which will be crucial to the development of the new swing-mill for durum and bread wheats.

In addition to funding ongoing research and extension operations, the Governor's recommended budget provided \$20.3 million from the general fund and 7.00 new FTE to support the top research and capital construction priorities of the State Board for Agriculture Research and Extension. Major general fund components of the executive budget that were approved by the legislature include:

- \$11.5 million to continue construction of the research greenhouse facility on the campus of North Dakota State University and another \$480,000 for greenhouse utility expenses. Total construction authority for the project now sits at \$25.5 million. It is anticipated that an additional \$5.4 million will be needed to complete the construction.
- \$2.9 million for headquarters additions and renovations at the North Central, Williston, Langdon and Dickinson research experiment centers.

- \$2.6 million to complete construction of the beef research facility in Fargo.
- \$678,000 and 4.00 FTE for pulse, oilseed and wheat quality and product evaluation, which is reduced from the Governor's recommendation of \$1.1 million and 6.00 FTE.
- \$600,000 increase in the base budget for extraordinary repairs at research facilities.
- \$450,000 to address existing deferred maintenance projects, which is \$50,000 less than the Governor recommended.
- \$300,000 to enhance the operating expense support for extension agents throughout the state.
- \$52,000 and 0.30 FTE for crop disease management outreach, down from the executive recommendation of \$250,000 and 1.00 FTE.

Other changes made by the Legislative Assembly include removing \$132,000 the Governor recommended to replace interactive video equipment and adding the following items:

- \$100,000 to enhance the Soil Conservation Committee grants.
- \$100,000 for the Extension agents-in-training program.
- \$220,000 and 1.00 FTE for a state specialist position within the 4-H leadership education and camping program.
- \$240,000 for 1.00 FTE state specialist in agribusiness enterprise and rural development.
- \$40,000 for the junior master gardener program.
- \$125,000 for parenting resource centers.
- \$250,000 and 1.00 FTE for a wheat rust pathologist located at the Main Research Center.
- \$180,000 and 0.70 FTE to hire a plant pathologist at the Carrington Research Center.

- \$220,000 and 1.00 FTE forage agronomist at the Central Grasslands Research Center.
- \$65,000 for the existing irrigation scientist position at the Williston Research Center.
- \$925,000 from the permanent oil tax trust fund as one-time funding for the Dickinson Research Center to replace decreasing oil revenues.

North Dakota State Fair

Governor Hoeven recommended and the Legislative Assembly authorized the construction of a new grandstand on the

fairgrounds. A total of \$18.0 million was appropriated for the project, with \$15.0 million from the State's general fund and \$3.0 million in special fund authority. The Governor had suggested a general fund appropriation of \$17.0 million. The new facility will increase the grandstand's total capacity to 15,000 and more than double the number of seats under the roof. Health and safety issues such as handicap accessibility, lighting, and electrical systems will be addressed in the building plans.

NATURAL RESOURCES / TRANSPORTATION***Historical Society***

The mission of the Historical Society is to preserve and interpret North Dakota's history. The 2007 legislature expressed support and provided planning funds for the proposed expansion of the North Dakota Heritage Center. The 2009 legislature showed continued support by providing an appropriation of \$51.7 million, of which \$39.7 million is from the general fund and \$12.0 million is from special funds to be raised by the agency, for construction of an addition to the Heritage Center. The addition will include 97,000 new square feet, half of which will be lower level space dedicated to collections storage, labs, and offices. The plan also calls for a new 120 vehicle parking lot and a dramatic new entrance on the east side of the building.

Two additional FTE positions were authorized:

- 1.00 FTE for additional historical archives staff to deal with an increased volume of archival material being received from local governments.
- 1.00 FTE site manager, along with \$120,300 for related temporary salaries and operating costs, for the operation of the Cold War Missile site, a new state historic site created by the 2007 legislature. Estimated costs have been offset by projected admissions revenue of \$50,000 per year. The site is scheduled to open during the summer of 2009.

The budget also includes \$330,000 for exhibit repair and new exhibit development; \$350,000 for compact shelving on the third floor of the new archives addition, allowing the agency to maximize available storage space; \$1.6 million for various one-time extraordinary repairs and capital projects; \$75,000 for a

one-time general fund appropriation for marketing efforts and signage improvements; and an additional \$129,500 for cultural heritage grants.

Game and Fish Department

The Game and Fish Department manages publicly owned wildlife resources for the State of North Dakota. The department's private lands program is continued at \$11.0 million. The private lands program provides funding to acquire hunting access to private lands and encourage landowner support for wildlife habitat. Although the department's goal of having 1.0 million acres available for public access has been achieved, the focus of the private lands program in the future will be to maintain tracts for public access during a period of declining Conservation Reserve Program (CRP) enrollment and high agricultural commodity prices.

The budget includes \$150,000 for replacement of the department's 1982 model Cessna airplane used for law enforcement work.

Two additional FTE positions are authorized:

- 1.00 FTE is for a graphic artist to convert a temporary position to permanent FTE status. The graphic artist does design work for the department's North Dakota Outdoors magazine, for fishing and hunting guides, the Private Lands Open to Sportsmen (PLOTS) guide, newsletters, and educational items.
- 1.00 FTE is for a pilot game warden. The current enforcement division pilot is also chief investigator for commercial operations and is not able to fly as often as required by the department.

Also included in the budget is:

- \$1.2 million for in lieu of property tax payments to local political subdivisions.
- \$200,000 for a grant to the Board of Animal Health, a reduction of \$9,684 from the current biennium.
- \$768,800 for a grant to the federal Wildlife Services agency, an increase of \$88,800, to cover a portion of increased fuel and salary costs.
- \$222,000 for a grant to the Parks and Recreation Department -- \$122,000 for ongoing maintenance and repairs at state park boat ramps and \$100,000 for one-time improvements to the boat ramp and courtesy dock at Lewis and Clark State Park.
- \$200,000 to be received by the Game and Fish Department from the Water Commission for a new program to provide grants to local law enforcement agencies to assist in Missouri River law enforcement activities.

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. State parks and local recreation facilities have an important place in the array of outdoor recreational opportunities available in North Dakota. The 2009-11 budget continues the state's investment in state parks by providing one-time appropriations to make infrastructure improvements. The budget provides \$1.2 million for extraordinary repairs and \$3.4 million for capital projects at various state parks. In addition, the budget includes \$400,000 from the general fund for a one-time community grant program to provide grants for

community outdoor recreation facilities and community recreation staff on a matching basis.

Funding for the International Peace Garden is included in the budget for the Parks and Recreation Department. Included in the 2009-11 budget is \$736,854 for operating grants to the International Peace Garden, a continuation of the level authorized by the 2007 legislature. In addition, the legislature provided \$1.8 million to the Peace Garden for a one-time grant to pay off a loan entered into to complete construction of an interpretive center. The legislature also appropriated \$55,000 for one-time equipment purchases at the Garden and \$86,600 for landscaping at the International Peace Garden Music Camp.

State 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 2009-11 biennium provided \$311.0 million total appropriation, including \$12.5 million from the general fund. The Legislative Assembly increased the budget to \$325.9 million total funds, with \$13.8 million from the general fund.

The Governor recommended and the Legislative Assembly approved the addition of 2.00 FTE positions funded entirely with special funds. The first position is a water hydrologist to address the increasing volume of new water permits related to the development of alternate energy sources, increasing oil production, and higher crop prices. A second FTE was authorized for a technician to operate the Northwest Area Water Supply pipeline that is providing water to Berthold and enhancing Minot's water delivery system. The Legislative Assembly also provided \$1.5 million from the general fund for

SWC administrative expenses currently paid from the resources trust fund.

The executive budget recommendation included \$104.0 million for water projects funded through the resources trust fund. An additional \$14.0 million from the water development trust fund was authorized for bond payments on existing bond issuances. The Legislative Assembly approved these recommendations with the following additions:

- \$200,000 from the general fund for a grant to North Dakota Game & Fish for enforcement activities on sovereign lands of the state.
- \$2.8 million from the permanent oil tax trust fund for the following projects:
 - Ray and Tioga water supply project - \$864,000.
 - Burke, Divide, and Williams water district water supply project - \$985,000.
 - Wildrose water supply project - \$593,000.
 - Stanley water pipeline construction project bond repayment - \$350,000.
- \$342,000 from the resources trust fund for an embankment feasibility study at Beaver Bay.
- \$12.0 million from federal stimulus funds for the Southwest Pipeline project.

The legislature also added intent language that certain projects be funded within the SWC 2009-11 resources trust fund appropriation:

- \$300,000 for digital elevation mapping.
- \$100,000 for the local share of Renwick Dam.
- \$500,000 to evaluate long-term flood control solutions for the Red River Valley.
- \$500,000 for the Michigan spillway in Nelson County.

Finally, in response to the 2009 flood disaster in Fargo, the legislature dedicated a total of \$75.0 million of state funds to the Fargo flood control project. Funding will be used to match federal funds received for the project. For the 2009-11 biennium, \$45.0 million of the total is appropriated, with any unexpended dollars carried forward for future costs of the project.

Department of Transportation

The Department of Transportation oversees the development of surface transportation in the state, including highways, rail service, and transit services. High petroleum prices have spurred oil activity in North Dakota, but have negatively impacted the state's infrastructure in two ways. First, oil exploration and production relies heavily on the state's roads to move drilling rigs, supplies, and produced oil. The volume of heavy traffic takes a toll on state, county, and township roads. Second, most road construction materials are petroleum-based, and consequently have experienced significant price inflation as petroleum prices have increased. To address the need to make immediate repairs and improvements to infrastructure at the state and local level, the executive budget recommendation provided a one-time general fund transfer of \$120.0 million to the highway tax distribution fund. However, the legislature removed the proposed transfer and instead provided the following:

- \$176.1 million in federal fiscal stimulus funding.
- \$48.0 million for additional federal funds anticipated to be available for highway projects in the Devils Lake area.
- \$30.5 million for a one-time diversion of 25.0 percent of motor vehicle excise taxes into the highway fund, rather than the general fund.

- \$4.6 million from the general fund to be transferred to the highway fund for projects in the Devils Lake area.
- \$59.9 million from the general fund appropriated as a 2007-09 biennium emergency measure for grants distributed by the State Treasurer, as follows:
 - \$10.0 million to townships, to be distributed pursuant to the formula in NDCC Section 54-27-19.1.
 - \$41.4 million to counties and cities, to be distributed pursuant to Section 54-27-19.
 - \$7.5 million to the state highway fund, to be distributed pursuant to Section 54-27-19.
 - \$1.0 million to the public transportation fund.
- \$43.0 million from the general fund appropriated as a 2007-09 biennium emergency measure for grants to be distributed by the Adjutant General for snow removal and flood costs incurred by cities, counties, and townships.

The legislature also:

- Removed \$7.5 million proposed for replacement of the department's 26-year old mainframe application used for driver records.
- Reduced fleet services funding by \$5.0 million in anticipation of lower than budgeted fuel costs.
- Removed \$660,000 proposed for replacement of the Fargo district office building.
- Authorized:
 - 1.00 FTE for drivers license examiners to address customer service needs and increased demand for commercial drivers license testing.
 - 1.00 FTE funded with federal funds for the department's Title VI program.

The legislature adopted the executive proposal to significantly change the highway tax distribution fund formula used to allocate fuel taxes and motor vehicle registration fee revenues among the state Department of Transportation, political subdivisions, and other entities. Previously, the highway tax distribution fund was allocated as follows:

- 63.0 percent to the DOT's highway fund.
- 23.0 percent to counties.
- 14.0 percent to cities.

The previous formula allowed for the following exceptions to the percentage allocation listed above:

- \$13 of every motor vehicle registration fee was allocated directly to the highway fund for DOT use.
- \$3 of every motor vehicle registration fee was allocated to the Highway fund for public transportation programs.
- \$.01 per gallon from certain fuel taxes was deposited in the township highway aid fund.

Under the new formula:

- The \$13 of each motor vehicle registration fee previously deposited in the highway fund will now be deposited into the highway tax distribution fund.
- The \$3 of every motor vehicle registration fee previously earmarked for public transportation programs will now be deposited into the highway tax distribution fund.
- The \$.01 cent per gallon previously deposited into the township highway aid fund will now be deposited into the highway tax distribution fund.
- The first \$5.5 million deposited in the highway tax distribution fund each biennium is transferred to the highway fund for providing administrative assistance to transferees.

- 61.3 percent of the total deposited in the distribution fund will be allocated to the DOT's highway fund.
- 21.5 percent to counties.
- 13.0 percent to cities.
- 2.7 percent to the township highway aid fund.
- 1.5 percent to the public transportation fund.

CAPITAL ASSETS

The 2009-11 biennium executive recommendation recognized the importance of the state's investment in capital assets by providing for a \$1.169 billion appropriation. The term "capital assets" refers to: capital projects, extraordinary repairs, other capital payments, equipment over \$5,000 and information technology (IT) equipment over \$5,000. The Legislative Assembly approved a total appropriation of \$1.500 billion for capital assets.

The capital 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.

Capital Assets Appropriations by Category– 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
108 SECRETARY OF STATE	-	-	-	-	4,500,000	4,500,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	4,500,000	4,500,000
Special Funds	-	-	-	-	-	-
110 OFFICE OF MANAGEMENT AND BUDGET	-	4,487,000	665,298	118,000	-	5,270,298
General Fund	-	4,487,000	665,298	118,000	-	5,270,298
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
112 INFORMATION TECHNOLOGY	-	60,000	5,405,746	235,000	6,570,030	12,270,776
General Fund	-	-	-	-	225,000	225,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	60,000	5,405,746	235,000	6,345,030	12,045,776
117 OFFICE OF THE STATE AUDITOR	-	-	-	-	100,000	100,000
General Fund	-	-	-	-	100,000	100,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
125 OFFICE OF THE ATTORNEY GENERAL	-	-	765,882	1,240,305	385,000	2,391,187
General Fund	-	-	765,882	154,400	-	920,282
Federal Funds	-	-	-	715,905	385,000	1,100,905
Special Funds	-	-	-	370,000	-	370,000
127 OFFICE OF STATE TAX COMMISSIONER	-	-	-	-	58,000	58,000
General Fund	-	-	-	-	58,000	58,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
150 LEGISLATIVE ASSEMBLY	-	-	-	200,000	800,000	1,000,000
General Fund	-	-	-	200,000	800,000	1,000,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
160 LEGISLATIVE COUNCIL	-	-	-	20,000	21,000	41,000
General Fund	-	-	-	20,000	21,000	41,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-

Capital Assets Appropriations by Category– 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
180 JUDICIAL BRANCH	-	-	-	288,124	2,026,358	2,314,482
General Fund	-	-	-	288,124	2,026,358	2,314,482
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
215 ND UNIVERSITY SYSTEM	-	-	12,014,048	-	-	12,014,048
General Fund	-	-	11,296,798	-	-	11,296,798
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	717,250	-	-	717,250
226 STATE LAND DEPARTMENT	-	-	-	10,000	-	10,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	10,000	-	10,000
227 BISMARCK STATE COLLEGE	3,409,500	584,118	-	-	-	3,993,618
General Fund	3,000,000	584,118	-	-	-	3,584,118
Federal Funds	-	-	-	-	-	-
Special Funds	409,500	-	-	-	-	409,500
228 LAKE REGION STATE COLLEGE	5,219,840	137,469	-	-	-	5,357,309
General Fund	2,609,920	137,469	-	-	-	2,747,389
Federal Funds	2,609,920	-	-	-	-	2,609,920
Special Funds	-	-	-	-	-	-
229 WILLISTON STATE COLLEGE	16,985,000	468,477	-	-	-	17,453,477
General Fund	1,610,000	468,477	-	-	-	2,078,477
Federal Funds	-	-	-	-	-	-
Special Funds	15,375,000	-	-	-	-	15,375,000
230 UNIVERSITY OF NORTH DAKOTA	61,119,000	9,479,219	-	-	-	70,598,219
General Fund	-	9,479,219	-	-	-	9,479,219
Federal Funds	11,200,000	-	-	-	-	11,200,000
Special Funds	49,919,000	-	-	-	-	49,919,000
235 NORTH DAKOTA STATE UNIVERSITY	71,100,000	7,048,043	-	-	-	78,148,043
General Fund	13,000,000	7,048,043	-	-	-	20,048,043
Federal Funds	-	-	-	-	-	-
Special Funds	58,100,000	-	-	-	-	58,100,000
238 ND STATE COLLEGE OF SCIENCE	12,836,000	1,787,475	-	-	-	14,623,475
General Fund	5,700,000	1,787,475	-	-	-	7,487,475
Federal Funds	-	-	-	-	-	-
Special Funds	7,136,000	-	-	-	-	7,136,000

Capital Assets Appropriations by Category– 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
239 DICKINSON STATE UNIVERSITY¹	2,000,000	2,045,862	-	-	-	4,045,862
General Fund	2,000,000	2,045,862	-	-	-	4,045,862
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
240 MAYVILLE STATE UNIVERSITY	8,626,825	2,119,114	-	-	-	10,745,939
General Fund	4,958,325	2,119,114	-	-	-	7,077,439
Federal Funds	-	-	-	-	-	-
Special Funds	3,668,500	-	-	-	-	3,668,500
241 MINOT STATE UNIVERSITY	31,000,000	1,191,981	-	-	-	32,191,981
General Fund	3,750,000	1,191,981	-	-	-	4,941,981
Federal Funds	5,000,000	-	-	-	-	5,000,000
Special Funds	22,250,000	-	-	-	-	22,250,000
242 VALLEY CITY STATE UNIVERSITY	19,500,000	1,563,337	-	-	-	21,063,337
General Fund	1,000,000	1,563,337	-	-	-	2,563,337
Federal Funds	-	-	-	-	-	-
Special Funds	18,500,000	-	-	-	-	18,500,000
243 MINOT STATE UNIVERSITY - BOTTINEAU	3,080,000	206,746	-	-	-	3,286,746
General Fund	1,080,000	206,746	-	-	-	1,286,746
Federal Funds	-	-	-	-	-	-
Special Funds	2,000,000	-	-	-	-	2,000,000
244 NORTH DAKOTA FOREST SERVICE	300,000	82,214	-	-	-	382,214
General Fund	300,000	82,214	-	-	-	382,214
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-
252 SCHOOL FOR THE DEAF	1,797,640	139,605	-	60,500	-	1,997,745
General Fund	835,000	139,605	-	-	-	974,605
Federal Funds	-	-	-	-	-	-
Special Funds	962,640	-	-	60,500	-	1,023,140
253 ND VISION SERVICES	-	70,500	-	7,000	14,000	91,500
General Fund	-	38,453	-	7,000	14,000	59,453
Federal Funds	-	-	-	-	-	-
Special Funds	-	32,047	-	-	-	32,047
301 ND DEPARTMENT OF HEALTH	-	236,666	704,127	849,675	22,800	1,813,268
General Fund	-	-	356,077	-	-	356,077
Federal Funds	-	236,666	348,050	770,675	22,800	1,378,191
Special Funds	-	-	-	79,000	-	79,000

Capital Assets Appropriations by Category– 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
313 VETERANS HOME²	17,107,811	-	-	32,222	98,400	17,238,433
General Fund	11,424,493	-	-	-	98,400	11,522,893
Federal Funds	5,683,318	-	-	-	-	5,683,318
Special Funds	-	-	-	32,222	-	32,222
325 DEPARTMENT OF HUMAN SERVICES	-	3,443,692	939,386	389,720	-	4,772,798
General Fund	-	3,443,692	939,386	352,606	-	4,735,684
Federal Funds	-	-	-	34,611	-	34,611
Special Funds	-	-	-	2,503	-	2,503
380 JOB SERVICE NORTH DAKOTA	-	-	20,000	-	-	20,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	20,000	-	-	20,000
Special Funds	-	-	-	-	-	-
401 INSURANCE DEPARTMENT	-	-	-	-	170,000	170,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	170,000	170,000
405 INDUSTRIAL COMMISSION	-	-	-	31,000	18,000	49,000
General Fund	-	-	-	20,000	18,000	38,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	11,000	-	11,000
408 PUBLIC SERVICE COMMISSION	-	-	-	85,000	42,500	127,500
General Fund	-	-	-	13,600	42,500	56,100
Federal Funds	-	-	-	71,400	-	71,400
Special Funds	-	-	-	-	-	-
412 AERONAUTICS COMMISSION	400,000	-	-	-	-	400,000
General Fund	-	-	-	-	-	-
Federal Funds	380,000	-	-	-	-	380,000
Special Funds	20,000	-	-	-	-	20,000
471 BANK OF NORTH DAKOTA	-	-	-	255,000	1,200,000	1,455,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	255,000	1,200,000	1,455,000
504 HIGHWAY PATROL	-	100,000	-	-	-	100,000
General Fund	-	100,000	-	-	-	100,000
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-

Capital Assets Appropriations by Category— 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
530 DEPT OF CORRECTIONS AND REHAB	64,000,000	1,632,062	2,203,515	949,500	6,500	68,791,577
General Fund	19,465,804	1,372,519	2,203,515	589,000	6,500	23,637,338
Federal Funds	-	259,543	-	-	-	259,543
Special Funds	44,534,196	-	-	360,500	-	44,894,696
540 ADJUTANT GENERAL	35,972,270	4,500,000	171,670	1,911,347	4,280,000	46,835,287
General Fund	-	-	171,670	1,577,347	3,718,500	5,467,517
Federal Funds	35,972,270	4,500,000	-	334,000	561,500	41,367,770
Special Funds	-	-	-	-	-	-
601 DEPT OF COMMERCE	-	-	-	-	25,000	25,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	25,000	25,000
Special Funds	-	-	-	-	-	-
602 DEPARTMENT OF AGRICULTURE	-	-	-	30,000	-	30,000
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	30,000	-	30,000
Special Funds	-	-	-	-	-	-
616 STATE SEED DEPARTMENT	200,000	98,500	-	55,000	200,000	553,500
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	200,000	98,500	-	55,000	200,000	553,500
627 UPPER GREAT PLAINS TRANS INST	3,000,000	-	-	90,000	-	3,090,000
General Fund	-	-	-	-	-	-
Federal Funds	3,000,000	-	-	90,000	-	3,090,000
Special Funds	-	-	-	-	-	-
628 BRANCH RESEARCH CENTERS	350,000	-	149,634	2,308,168	-	2,807,802
General Fund	-	-	149,634	400,000	-	549,634
Federal Funds	-	-	-	-	-	-
Special Funds	350,000	-	-	1,908,168	-	2,258,168
638 NORTHERN CROPS INSTITUTE	-	-	-	328,500	-	328,500
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	328,500	-	328,500
640 NDSU MAIN RESEARCH CENTER³	17,700,000	1,790,465	421,789	2,359,484	-	22,271,738
General Fund	17,000,000	1,790,465	421,789	405,000	-	19,617,254
Federal Funds	700,000	-	-	-	-	700,000
Special Funds	-	-	-	1,954,484	-	1,954,484

Capital Assets Appropriations by Category– 2009-2011

Agency	Capital Projects	Extraordinary Repairs & Def. Maintenance	Other Capital Payments	Equipment Over \$5000	IT Equipment Over \$5000	Total
649 AGRONOMY SEED FARM	-	-	-	104,500	-	104,500
General Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
Special Funds	-	-	-	104,500	-	104,500
665 ND STATE FAIR	18,000,000	-	210,000	-	-	18,210,000
General Fund	15,000,000	-	210,000	-	-	15,210,000
Federal Funds	-	-	-	-	-	-
Special Funds	3,000,000	-	-	-	-	3,000,000
701 HISTORICAL SOCIETY	52,710,000	1,947,819	1,392,393	81,000	-	56,131,212
General Fund	40,150,000	1,147,819	1,359,060	81,000	-	42,737,879
Federal Funds	535,000	800,000	-	-	-	1,335,000
Special Funds	12,025,000	-	33,333	-	-	12,058,333
720 GAME AND FISH DEPARTMENT	-	1,250,000	2,000,000	690,000	75,000	4,015,000
General Fund	-	-	-	-	-	-
Federal Funds	-	600,000	200,000	312,500	-	1,112,500
Special Funds	-	650,000	1,800,000	377,500	75,000	2,902,500
750 PARKS AND RECREATION DEPT	3,409,768	1,235,900	73,630	1,235,000	-	5,954,298
General Fund	2,359,768	753,400	73,630	505,000	-	3,691,798
Federal Funds	1,000,000	-	-	-	-	1,000,000
Special Funds	50,000	482,500	-	730,000	-	1,262,500
770 STATE WATER COMMISSION	-	-	104,614,697	20,000	45,000	104,679,697
General Fund	-	-	-	-	45,000	45,000
Federal Funds	-	-	62,000,000	-	-	62,000,000
Special Funds	-	-	42,614,697	20,000	-	42,634,697
801 DEPT OF TRANSPORTATION	2,034,400	663,000	800,836,848	34,403,483	275,806	838,213,537
General Fund	-	-	-	-	-	-
Federal Funds	-	-	663,625,950	-	-	663,625,950
Special Funds	2,034,400	663,000	137,210,898	34,403,483	275,806	174,587,587
TOTAL ALL AGENCIES	451,858,054	48,369,264	932,588,663	48,387,528	20,933,394	1,502,136,903
General Fund	145,243,310	39,987,008	18,612,739	4,731,077	7,173,258	215,747,392
Federal Funds	66,080,508	6,396,209	726,194,000	2,359,091	5,494,300	806,524,108
Special Funds	240,534,236	1,986,047	187,781,924	41,297,360	8,265,836	479,865,403

¹ Contingent appropriation for Stoxen Library based on the actual amount of revenue collected.

² Contingent general funding of \$3,039,414 is appropriated if federal ARRA funds are not available for a geothermal heating system for the new veterans home.

³ \$700,000 of federal ARRA funds are appropriated, if available, for installing a geothermal heating system in the main research center greenhouse.

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 influence 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 2009-11 are summarized on the following pages.

Capital Projects Appropriations – 2009-2011

Agency	Capital Project	Total	General Fund	Federal Funds	Special Funds
227 BISMARCK STATE COLLEGE	Technical Center Renovation	3,409,500	3,000,000	0	409,500
228 LAKE REGION STATE COLLEGE	Wind Energy Project ¹	5,219,840	2,609,920	2,609,920	0
229 WILLISTON STATE COLLEGE	Dormitory	9,375,000	0	0	9,375,000
	Science Lab Renovation	1,610,000	1,610,000	0	0
	Virtual Center for Career and Technical Education	6,000,000	0	0	6,000,000
	Total	16,985,000	1,610,000	0	15,375,000
230 UNIVERSITY OF NORTH DAKOTA	COBPA Renovation and Addition	20,500,000	0	0	20,500,000
	EERC Storage and Support Building	1,540,000	0	0	1,540,000
	Indoor Track and Practice Facility	19,500,000	0	0	19,500,000
	Relocation and Renovation of Oxford House	750,000	0	0	750,000
	Renovation and Addition to Education Building	11,200,000	0	11,200,000	0
	Starcher Hall Research Area Emergency Generator	600,000	0	0	600,000
	School of Medicine and Health Sciences-Bismarck Family Practice Center	5,400,000	0	0	5,400,000
	School of Medicine and Health Sciences-Forensic Pathology Facility	129,000	0	0	129,000
	Airport Hangar Renovation and Addition	1,500,000	0	0	1,500,000
	Total	61,119,000	0	11,200,000	49,919,000
235 NORTH DAKOTA STATE UNIVERSITY	Auxiliary Enterprises Renov - West Dining Services	7,000,000	0	0	7,000,000
	Bison Sports Arena	25,500,000	0	0	25,500,000
	Ellig Softball Field	4,500,000	0	0	4,500,000
	Niskanen Student Apartment Addition	20,000,000	0	0	20,000,000
	Minard Hall - Phase III	13,000,000	13,000,000	0	0
	Student Health Services Expansion	1,100,000	0	0	1,100,000
	Total	71,100,000	13,000,000	0	58,100,000
238 ND STATE COLLEGE OF SCIENCE	Horton Hall Renovation	5,700,000	5,700,000	0	0
	Parking Lot 4	1,136,000	0	0	1,136,000
	Robertson Hall Expansion	6,000,000	0	0	6,000,000
	Total	12,836,000	5,700,000	0	7,136,000
239 DICKINSON STATE UNIVERSITY	Campus-wide Master Plan, Asbestos Eval and Removal	2,000,000	2,000,000	0	0
240 MAYVILLE STATE UNIVERSITY	Agassiz Hall Housing Renovation	3,668,500	0	0	3,668,500
	Science-Library Building Renovation and Addition	4,958,325	4,958,325	0	0
	Total	8,626,825	4,958,325	0	3,668,500

Capital Projects Appropriations – 2009-2011

Agency	Capital Project	Total	General Fund	Federal Funds	Special Funds
241 MINOT STATE UNIVERSITY	Parking Lot Maintenance	1,000,000	0	0	1,000,000
	Physical Plant Building and Boiler Replacement	8,750,000	2,500,000	0	6,250,000
	Wellness Center	15,000,000	0	0	15,000,000
	Swain Hall Addition and Renovation	6,250,000	1,250,000	5,000,000	0
	Total	31,000,000	3,750,000	5,000,000	22,250,000
242 VALLEY CITY STATE UNIVERSITY	Osmon Fieldhouse Wellness Center Addition - Phase 1	15,000,000	0	0	15,000,000
	Snoeyenbos Residence Hall Renovation	3,500,000	0	0	3,500,000
	Campus-wide Master Plan	1,000,000	1,000,000	0	0
	Total	19,500,000	1,000,000	0	18,500,000
243 MINOT STATE UNIVERSITY - BOTTINEAU	Coal Boilers Replacement	800,000	800,000	0	0
	Greenhouse Repairs	280,000	280,000	0	0
	Entrepreneurial Center for Horticulture	2,000,000	0	0	2,000,000
	Total	3,080,000	1,080,000	0	2,000,000
244 NORTH DAKOTA FOREST SERVICE	Greenhouse	300,000	300,000	0	0
252 SCHOOL FOR THE DEAF	Replace Stand-By Generator	127,640	0	0	127,640
	Trades Building Renovation	1,670,000	835,000	0	835,000
	Total	1,797,640	835,000	0	962,640
313 VETERANS HOME	Veterans Home Building - Additional Funding	10,678,983	8,035,079	2,643,904	0
	Exterior Improvements	350,000	350,000	0	0
	Geothermal Heating System ²	6,078,828	3,039,414	3,039,414	0
	Total	17,107,811	11,424,493	5,683,318	0
412 AERONAUTICS COMMISSION	Terminal, Wildlife Fencing and Walkway at IPG	400,000	0	380,000	20,000
530 DEPT OF CORRECTIONS AND REHAB	NDSP Building Project	64,000,000	19,465,804	0	44,534,196
540 ADJUTANT GENERAL	East Operation Center Facility	450,000	0	450,000	0
	Federal Stimulus Construction Projects	2,522,270	0	2,522,270	0
	Estimated Federal Construction	15,000,000	0	15,000,000	0
	Readiness Center Addition	12,000,000	0	12,000,000	0
	Regional Training Institute (RTI)	6,000,000	0	6,000,000	0
	Total	35,972,270	0	35,972,270	0
	616 STATE SEED DEPARTMENT	Storage Warehouse	200,000	0	0

Capital Projects Appropriations – 2009-2011

Agency	Capital Project	Total	General Fund	Federal Funds	Special Funds
627 UPPER GREAT PLAINS TRANSPORTATION INSTITUTE	Center for Transportation Study	3,000,000	0	3,000,000	0
628 BRANCH RESEARCH CENTERS	Headquarters Facility Parking Lot and Landscaping	350,000	0	0	350,000
640 NDSU MAIN RESEARCH CENTER	Beef Research Facility	2,612,400	2,612,400	0	0
	REC Renovations / Additions	2,937,200	2,937,200	0	0
	Research Greenhouse Complex ³	12,150,400	11,450,400	700,000	0
	Total	17,700,000	17,000,000	700,000	0
665 ND STATE FAIR	State Fair Grandstand	18,000,000	15,000,000	0	3,000,000
701 HISTORICAL SOCIETY	Compact Shelving 3rd Floor Archives	350,000	350,000	0	0
	Maintenance Shop Fort Buford State Historic Site	125,000	100,000	0	25,000
	North Dakota Heritage Center Expansion	51,700,000	39,700,000	0	12,000,000
	Ft. Totten Commissary Storehouse Exhibits and Signage	385,000	0	385,000	0
	Shelter and Conservation of Train at Camp Hancock	150,000	0	150,000	0
	Total	52,710,000	40,150,000	535,000	12,025,000
750 PARKS AND RECREATION DEPT	Fort Ransom State Park Peninsula Acquisition	50,000	50,000	0	0
	Fort Stevenson State Park Campground Upgrade	468,000	468,000	0	0
	Road Repair and Chip Seal Projects	1,412,468	1,412,468	0	0
	Sully Creek State Park RV Dump/Comfort Station	160,000	160,000	0	0
	Turtle Mountain Trails	250,000	0	200,000	50,000
	Ft. Lincoln CCC Building Rehabilitation	300,000	0	300,000	0
	Turtle River Pedestrian Bridge Replacement	300,000	0	300,000	0
	Turtle Mountain Scenic Byway Acquisitions and Trails	200,000	0	200,000	0
	Turtle River State Park Campground Upgrade	269,300	269,300	0	0
	Total	3,409,768	2,359,768	1,000,000	50,000
801 DEPT OF TRANSPORTATION	Land and Buildings	2,034,400	0	0	2,034,400
		\$ 451,858,054	\$ 145,243,310	\$ 66,080,508	\$ 240,534,236

¹ \$2,609,920 of federal stimulus ARRA funds is also appropriated. If ARRA funds are not available, the general fund appropriation is available.

² \$3,039,414 of federal stimulus ARRA funds is also appropriated. If ARRA funds are not available, the general fund appropriation is available.

³ \$700,000 of ARRA funds are appropriated, if available, for installing a geothermal heating system in the main research center greenhouse.

CAPITAL PROJECTS DESCRIPTIONS**227 – Bismarck State College**Technical Center Renovation

This project will renovate 12,000 square feet in the existing Technical Center to accommodate additional welding stations. The project includes \$3.0 million from the general fund and \$409,500 cash contribution from the Bismarck Public School District for a total project appropriation of \$3.4 million. No net additional operating or maintenance costs are anticipated.

228 – Lake Region State CollegeWind Energy Project

This project combines a capital investment from the general fund of \$2.6 million and an energy performance contract for a total of \$6.1 million. The existing natural gas boilers will be replaced with electric boilers tied into new electrical switchgear as part of the installation of the wind turbine. The turbine will provide a closed lab for students as part of a new Wind Turbine Technical Training program. The project will result in a reduction of existing deferred maintenance. The Legislature provided \$2.6 million in federal fund authority requiring the institution to apply for federal stimulus funds for the project. The general fund appropriation can only be used for the balance of the \$2.6 million project that is not covered by federal dollars.

229 – Williston State CollegeDormitory

This project will provide 208 additional dormitory beds in a 64,123 square foot, three story new construction facility. The project includes \$9.4 million funded through revenue bonds. Additional operating and maintenance costs will be paid through special funds.

Science Laboratory Renovation

This project will update the physics, biology and chemistry classrooms, laboratories, and storage areas. Construction will include a renovation of the air handling system for this 4,900 square feet area

in Steven's Hall. The project includes \$1.6 million from the general fund. No net additional operating or maintenance costs are expected. The project will result in a reduction of existing deferred maintenance.

Virtual Center for Career & Technical Education Center

The legislature provided \$5.0 million from the permanent oil tax trust fund, and \$1.0 million local fund authorization, to Williston State College for construction of a virtual center to provide secondary and postsecondary career and technical education programs.

230 – University of North DakotaCollege of Business and Public Administration (COBPA) Renovation and Addition

This project includes a complete renovation of the existing building exterior including the masonry and window systems. The project includes \$20.5 million in special funds. The project will result in additional operating cost of \$90,000 per biennium to be paid within the agency's budget. The project will result in a reduction of existing deferred maintenance.

Energy and Environment Research Center (EERC) Storage and Support Building

This new construction project will provide 12,000 square feet of flexible storage space for research equipment. The project includes \$1.5 million in special funds for the building and land acquisition. Additional operating costs of \$77,748 per biennium will be paid with special funds.

Indoor Track and Practice Facility

The UND Athletic Department currently has no indoor, multi-purpose space of sufficient size and arrangement to accommodate all-weather practice for track, football and baseball. UND has retained a sports facility consultant to develop this \$19.5 million special fund project. The project will result in increased operating and maintenance costs of \$330,750 per biennium to be paid with special funds.

Relocation and Renovation of Oxford House

As a result of the proposed addition to the COBPA building, the original President's residence will be relocated. The building is on the National Register of Historic Places and will be more appropriately viewed and utilized in the new location. The project includes \$750,000 of special funds. No net additional operating or maintenance costs are expected.

Renovation and Addition to Education Building

This project includes renovation of the 69,413 square foot building and a 16,500 square foot addition. The renovation includes replacement of mechanical systems, electrical systems, windows, restrooms, and interior finishes. The addition includes a link to adjacent buildings, a lecture hall, improved ADA accessibility, and administrative support space. The project will result in additional operating costs of \$32,000 per biennium to be paid within the agency's budget. The project will result in a reduction of existing deferred maintenance.

Starcher Hall Research Area Emergency Generator

This \$600,000 project will provide a stand-alone emergency generator to protect temperature sensitive research materials including research animals, research plantings and microbial cultures. The project will result in increased operating and maintenance costs of \$3,887 per biennium to be paid with special funds.

School of Medicine and Health Sciences - Bismarck Family Practice Center

The legislature authorized \$5.4 million from the permanent oil trust fund to purchase land and construct a new 20,000 square foot building. Similar to recently completed projects in Minot and Grand Forks, additional operating costs of \$140,000 per biennium will be paid with special funds.

School of Medicine and Health Sciences-Forensic Pathology Facility

This project was not included in the original budget request. Currently in the concept stage, the funds may be used to complete the interior of an existing tenant space. The legislature authorized \$129,000 of

special funds. Additional operating costs, paid with special funds, are unknown at this time.

Airport Hangar Renovation and Addition

This project was not included in the original budget request; therefore, it was not a part of the executive recommendation. The legislature authorized \$1.5 million of revenue bonding authority for construction of a 20,000 square foot hangar addition and remodeling of 3,000 square feet of existing space. The project, at the Aerospace Complex at the Grand Forks International Airport, will result in additional operating expenses of \$60,000 per biennium to be paid with special funds.

235 - North Dakota State University

Auxiliary Enterprises Renovation and West Dining Services Renovation and Addition

The first portion of this project includes \$4.0 million of special funds to renovate the existing 29,116 square foot Auxiliary Services building. The renovation includes the mechanical and electrical systems, the food processing and delivery systems and the administrative areas. The second portion of this project includes a renovation of the existing West Dining Center and an 18,310 square foot addition to expand seating capacity. The project includes \$3.0 million of special funds for a total project cost of \$7.0 million. Additional operating and maintenance expenses are estimated at \$152,000 per biennium to be paid with special funds.

Bison Sports Arena

This is a re-authorization of the 2007-09 appropriated project. The renovation includes improvements to the HVAC system, ADA accessibility, locker rooms, training areas, classrooms, the pool and playing surfaces. The building houses 150,639 square feet. The project includes \$25.5 million of special funds. No net additional operating or maintenance costs are anticipated.

Ellig Softball Field

This is a re-authorization of the 2007-09 appropriated project. 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 \$4.5 million of special funds. No net increase in operating or maintenance is expected.

Niskanen Student Apartment Addition

The project consists of the addition of four new apartment buildings encompassing 200,000 square feet adjacent to the current structure. These fully accessible buildings will feature two-bedroom apartments with modern amenities. The expansion will provide an additional 800 beds to the campus. The executive recommendation and legislative budget included \$20.0 million of revenue bonding authority for the project. Additional operating and maintenance costs have not been identified, but will be paid with special funds.

Minard Hall Renovation – Phase III

This project represents the final phase of the Minard Hall renovation. Phases I and II addressed the building envelope. The final phase will encompass the replacement of the HVAC system, the electrical system, and interior remodeling and finishes. The building contains 78,000 square feet. The project includes \$13.0 million from the general fund. No net additional operating or maintenance costs are expected. This project will result in a reduction of existing deferred maintenance.

Student Health Services Expansion

The project provides a 4,000 square foot addition to the Student Health Services Building. The addition includes health care providers' offices, exam rooms, radiology services and support spaces. The project includes \$1.1 million of special funds. The project will result in additional operating and maintenance costs of \$152,000 per biennium to be paid with special funds.

238 - North Dakota State College of ScienceHorton Hall Renovation

This project is a complete renovation of the existing 54,934 square foot facility, originally constructed in 1927. Issues that will be addressed include water infiltration in the lower level, poor air quality, inadequate egress, central air handling, ADA accessibility, and life/safety violations. The project includes \$5.7 million from the general fund. No increase in operating or maintenance is expected. This project will result in a reduction of existing deferred maintenance.

Parking Lot 4

This is a re-authorization of the 2007-09 appropriated project. This project will enhance the original scope - reconstruction of Parking Lot 4 – to include curb and gutter, lighting, and additional area at a total cost of \$1.1 million of special funds. No increase in operating or maintenance is expected.

Robertson Hall Renovation

This is a re-authorization of the 2007-09 appropriated project. 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 \$6.0 million of special funds. The increased operating and maintenance funds will be paid with special funds.

239 - Dickinson State UniversityCampus-Wide Master Plan, Asbestos Evaluation and Removal

This multi-component project includes funding for a campus wide master plan, a hazardous materials survey of the Stoxen Library, and the schematic design of a renovation and addition project for the library. Any funds remaining after the completion of the master plan, hazardous materials survey, and schematic designs will be first directed toward asbestos removal, then any other necessary repairs on campus or payoff of energy or construction loans. The project includes \$2.0 million from the general fund.

240 – Mayville State UniversityAgassiz Hall Housing Renovation

This project will renovate the existing single room/shared restroom configuration into shared suites. It also includes replacement of the mechanical and electrical systems, as well as installation of a new ventilation system and air conditioning. The project includes \$3.7 million of special funds. No net increase in operating and maintenance expenses is anticipated.

Science-Library Building Renovation and Addition

This project will renovate 12,245 square feet of existing space and provide an addition of 10,295 square feet to the Science-Library building. The project also includes demolition of the East and West halls. The project includes \$5.0 million from the general fund. No net additional operating or maintenance costs are anticipated. The project will result in a reduction of existing deferred maintenance.

241 – Minot State UniversityParking Lot Maintenance

This project provides for crack sealing, spot overlays, seal coating and limited reconstruction to various campus parking areas at a cost of \$1.0 million of special funds. No increase in operating or maintenance is expected.

Physical Plant Building and Boiler Replacement

This new construction project was to provide a 20,000 square foot physical plant building, remodel the existing physical plant building into academic space, and replace the existing coal boiler. The project recommendation included \$3.8 million from the general fund and \$6.3 million of special funds for a total cost of \$10.0 million. No net increase in operating and maintenance expenses was anticipated.

At the request of the University, the legislature approved \$2.5 million from the general fund to refurbish the existing coal boiler. The \$6.3 million of special fund authority remains for additional campus infrastructure improvements. The total appropriation is \$8.8 million.

Wellness Center

This project will replace Swain Hall as the campus Health and Wellness Center by providing an addition to the existing Dome. The project includes \$10.0 million of special funds from revenue bonding. Additional operating and maintenance expenses are estimated at \$122,099 per biennium to be paid with special funds. The legislature increased special fund authority by \$5.0 million, which is anticipated income from student fees. The total appropriation is \$15.0 million.

Swain Hall Addition and Renovation

At the request of the University, the legislature transferred \$1.3 million of general fund dollars from the coal boiler project to complete the renovation of Swain Hall. Additionally, \$5.0 million from flexible federal stimulus funds were authorized for the renovation. These funds are in addition to the 2007-09 appropriation for a total project cost of \$13.3 million.

242 – Valley City State UniversityOsman Fieldhouse Wellness Center Addition – Phase I

This project will add 115,000 square feet to the existing Osman Fieldhouse to provide space for Health and Physical Education, VCSU athletics, students and public wellness and recreation. The project is a joint cooperative effort with numerous local entities and includes \$15.0 million of special funds. The project will result in additional operating and maintenance expenses of \$641,700 per biennium. Of that total, \$213,900 will be paid within the agency's budget and \$427,800 will be special funds.

Snoeyenbos Residence Hall Renovation

This project will renovate the existing single room/shared restroom configuration into shared suites. It also includes replacement of the mechanical and electrical systems, as well as installation of a new ventilation system and air conditioning. The project includes \$3.5 million of special funds. No net increase in operating and maintenance expenses is anticipated.

Campus-Wide Master Plan

This project will provide \$1.0 million from the general fund for the study and development of a campus-wide master plan that includes the most efficient use of existing buildings to meet student needs, new building, and necessary renovations and repairs to meet safety and health standards. All funds remaining after the payment for the master plan may be used for maintenance and repairs.

243 – Minot State University - BottineauCoal Boilers Replacement

This project will replace two existing sixty-year-old boilers and remove asbestos insulation from the steam and water lines. The project includes \$800,000 from the general fund. No net increase in operating and maintenance funds is anticipated. This project will result in a reduction of existing deferred maintenance.

Greenhouse Repairs

The legislature appropriated \$280,000 from the general fund that was not included in the budget request for greenhouse repairs. The project will result in a reduction of deferred maintenance. No increase in operating or maintenance is expected.

Entrepreneurial Center for Horticulture

This project provides for construction of a new research facility, including greenhouse space, classroom, office, and laboratory space in support of vegetable production in North Dakota. The project includes \$2.0 million of special funds. The increase in operating and maintenance funds has not been determined.

244 - North Dakota Forest ServiceGreenhouse

This project provides for construction of a new 5,040 square foot greenhouse and shade house to replace the existing greenhouse. The existing building is causing ground water contamination and will be re-used for cone drying. The project includes \$300,000 from the

general fund. No net increase in operating and maintenance funds is anticipated.

252 – School for the DeafReplace Stand-By Generator

This project will replace the existing 1980 generator with a larger capacity unit capable of handling additional load created over the past 28 years. The project includes \$127,640 from special funds. No net increase in operating and maintenance funds is anticipated.

Trades Building Renovation

This project will renovate approximately 12,200 square feet of existing space to accommodate expected tenants. The project includes \$835,000 from the general fund to be matched with \$835,000 of special funds for a project total of \$1.7 million. No net increase in operating and maintenance funds is anticipated.

313 - Veterans HomeVeterans Home Building – Additional Funding

This appropriation provides additional funding for the construction of the new Veterans Home. It includes \$8.0 million of general funds and \$2.6 million of federal funds for a total of \$10.7 million.

Exterior Improvements

This appropriation provides funding for various exterior improvements associated with the construction of the new Veterans Home. It includes \$350,000 of general funds.

Geothermal Heating System

This project provides funding for the installation of a geothermal heating system in the new Veterans Home. The project includes a contingent general fund appropriation of \$3.0 million in the event that federal stimulus funds are not available.

412 – Aeronautics CommissionTerminal, Wildlife Fencing and Walkway at International Peace Garden

This project includes construction of a new terminal building, reconstruction of an existing walkway, and new wildlife fencing at the International Peace Garden Airport near Dunseith. The project includes \$380,000 of federal funds and \$20,000 of special funds for a total project cost of \$400,000. No net increase in operating and maintenance funds is anticipated.

530 - Department of Corrections and RehabilitationNorth Dakota State Prison Building Project

This project includes a new 20,625 square foot medical facility, a new 28,356 square foot Administrative Segregation Unit, enlargement of the Intake and Receiving Unit, construction of a new cell house, demolition of the existing East Cell House, relocating a guard tower and the central warehouse and receiving building, and miscellaneous associated remodeling. Total net increase in beds equals 251. The project includes \$19.5 million from the general fund and \$44.5 million of special funds for a project total of \$64.0 million. Additional general fund operating and maintenance expenses are estimated at \$9.0 million when the project is completed. This project will result in a reduction of existing deferred maintenance.

540 – Adjutant GeneralEast Operation Center Facility

This new construction project provides for a 2,100 square foot facility for state operations in the eastern part of North Dakota. Project costs of \$450,000 will be paid with federal stimulus funds. The project will result in additional operating and maintenance expenses of \$6,000 per biennium to be paid from the general fund.

Federal Stimulus Construction Projects

This request includes military energy-related maintenance and repairs at the Bismarck Raymond J. Bohn Armory, Camp Grafton and the

Minot Air Force Reserve Center. Federal funds totaling \$2.5 million were authorized in the American Recovery and Reinvestment Act of 2009. Increased operating and maintenance costs are not anticipated as a result of these projects.

Estimated Federal Construction

This authority request represents the historical expenditures for the Army Guard Contracts line. The spending authority includes \$15.0 million of federal funding. The National Guard Bureau has not yet approved funding or specific projects for the 2009-11 biennium. Any increase in operating and maintenance costs will be paid within the agency's budget.

Readiness Center Addition

This project will provide a 41,714 square foot addition to the existing 33,081 square foot Readiness Center. The project includes \$12.0 million of federal funds. The project will result in additional operating and maintenance expenses of \$127,000 per biennium to be paid from the general fund.

Regional Training Institute

This \$6.0 million project cost is in addition to the \$26.3 million appropriated in the 2007-09 biennium, for a total project cost of \$32.3 million of federal funds. The collection of new buildings includes a 38,400 square foot administrative building, a 47,100 square foot education building and a 59,300 square foot vertical construction education building, and an enclosed elevated walkway. The project will result in additional operating and maintenance expenses of \$1.2 million per biennium. Of that total, \$223,350 will be paid from the general fund and \$952,026 will be federal funds.

616 – State Seed DepartmentStorage Warehouse

This is a \$200,000 addition to an existing building at the Grafton station. The new 2,400 square foot steel building will be used primarily for the collection, cataloguing and preparation for shipment of soil samples acquired through a USDA soil survey of potato

production fields in northeastern North Dakota. The project and resulting slight increase to operating and maintenance costs will be paid within the agency's special fund budget.

627 – Upper Great Plains Transportation Institute

Center for Transportation Study

This is a \$3.0 million increase in construction authority for a project initially authorized in 2007-09. This new 50,000 square foot facility will consolidate the various faculty, research, and instructional spaces throughout the NDSU campus into one location. The total construction authority for the project is \$8.5 million 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 Centers

Headquarters Facility Parking Lot and Landscaping

This is a re-authorization of the 2007-09 appropriated project. This project will provide the Dickinson Research Center Headquarters 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.

640 – NDSU Main Research Center

Beef Research Facility

The first phase of this project was appropriated in the 2007-09 biennium. Phase II will provide \$2.6 million from the general fund for the completion of the shell constructed in Phase I, demolition of the displaced buildings, two additional barns and a small enclosed area for office and work space. No net additional operating or maintenance costs are anticipated. This project will result in a reduction of existing deferred maintenance.

Research Extension Centers – Renovations/Additions

This project includes four separate projects to existing headquarter facilities. At Langdon, \$144,000 will provide for a ground source heat pump system. At Dickinson, \$489,200 will renovate the existing facility. At Williston, \$1.7 million will add new office spaces and a new research laboratory. At North Central, \$420,000 will provide additional office and data processing space. The total project includes \$2.9 million from the general fund. The increases in operating and maintenance funds are estimated at \$9,000 per biennium for Dickinson and \$5,400 per biennium for North Central for a total increase of \$14,400 from the general fund. This project will result in a reduction of existing deferred maintenance.

Research Greenhouse Complex

This phase of the \$27 million complex will continue the development and construction of the laboratory greenhouses. This phase provides \$11.5 million from the general fund. An additional \$700,000 is authorized for a geothermal heating system, if federal grant dollars can be obtained to cover the costs. It is anticipated that an additional \$4.5 million will be requested in the 2011-13 biennium to complete this project. An increase in operating and maintenance expenses is estimated at \$419,347 per biennium to be paid within the agency's budget.

665 – North Dakota State Fair

State Fair Grandstand

This project will replace the existing grandstand with a new expanded, accessible, grandstand. It also includes accessible restrooms and concession space. The project includes \$15.0 million from the general fund and \$3.0 million in special fund authority for a project total of \$18.0 million. No net increase in operating and maintenance expenses is anticipated.

701 - State Historical SocietyCompact Shelving – 3rd Floor Archives

This project will provide compact shelving for the remainder of the third floor in the recently constructed Archives Addition. The project includes \$350,000 from the general fund. No increase in operating and maintenance expenses is expected.

Maintenance Shop – Fort Buford State Historical Site

This project will provide for the replacement of the existing maintenance shop which will be sold for scrap. The project includes \$100,000 from the general fund and \$25,000 of special funds for a total cost of \$125,000. No increase in operating or maintenance is expected. This project will result in a reduction of existing deferred maintenance.

North Dakota Heritage Center Expansion

This project includes \$39.7 million from the general fund and \$12.0 million in special funds, for a total project cost of \$51.7 million. Additional general fund operating and maintenance costs are estimated at \$820,500 per biennium.

Fort Totten Commissary Storehouse Exhibits and Signage

This project will replace 30-year old exhibits in the existing interpretive center and provide for development of new exhibits in other buildings on the site. The project includes \$385,000 of federal stimulus funds. No net increase in operating and maintenance is expected.

Shelter and Conservation of Train at Camp Hancock

This project will provide for the construction of an overhead shelter for the existing train at the Camp Hancock Historic Site. It includes \$150,000 of federal stimulus funds. No increase in operating and maintenance expenses is expected.

750 - Department of Parks and RecreationFort Ransom State Park Peninsula Acquisition

This project will allow the agency to purchase 20 acres of land at the southeast corner of the existing park. The land will allow expansion of the parks amenities. It includes \$50,000 from the general fund. No net additional operating or maintenance costs are expected.

Fort Stevenson State Park Campground Upgrade – Phase II

Phase II of this project includes replacement of water and electrical service to the west camping loop. The project includes \$468,000 from the general fund. No net additional operating or maintenance costs are anticipated. This project will result in a reduction of existing deferred maintenance.

Road Repair and Chip Seal Projects

This project includes road repairs, asphalt overlays, and protective chip/seal work at Turtle River State Park for \$820,000 and Fort Stevenson State Park for \$592,468. The total project cost is \$1.4 million from the general fund. No increase in operating and maintenance is anticipated. This project will result in a reduction of existing deferred maintenance.

Sully Creek State Park RV Dump/Comfort Station

This project includes the construction of a RV dump station and a nearby comfort station with a shower facility. Sully Creek State Park is the trail head for the Maah Daah Hey multi-use trail. The project includes \$160,000 from the general fund. No net additional operating or maintenance costs are anticipated.

Turtle Mountain Trails

This project includes the purchase of trail easements linking sixty miles of the Turtle Mountains through a system of motorized and non-motorized trails. The project includes \$50,000 of special funds and \$200,000 federal funds for a total project cost of \$250,000. No net additional operating or maintenance expenses are anticipated.

Fort Lincoln CCC Building Rehabilitation

This project will remove all roofing material, make structural repairs, repair deteriorated roofing material, and replace existing wood shakes on the CCC Museum. In addition, the CCC trading Post project includes shoring material on the ravine banks and repair of the granite's mortar. The project includes \$300,000 of federal stimulus funds. No increase in operating or maintenance is expected

Turtle River Pedestrian Bridge Replacement

This project will construct a 120' clear span bridge across the river at Turtle River State Park. The \$300,000 federal stimulus appropriation includes site clearing, pile driving, abutment construction, and earthen approach. No increase in operating and maintenance funds is anticipated.

Turtle Mountain Scenic Byway Acquisitions and Trails

This multi-phase project to acquire property for public day use includes acquisition of 320 acres in Bottineau County. Further phases would develop the property for public use. The project includes \$200,000 of federal stimulus funds. This phase would not result in an increase in operating or maintenance funds.

Turtle River State Park Campground

This project includes replacement of water and electrical service to the remaining half of the sites in the campground improvement project. The project includes \$269,300 from the general fund. No net additional operating or maintenance costs are anticipated. This project will result in a reduction of existing deferred maintenance.

801 - Department of TransportationLand and Buildings

This project combines a number of smaller buildings including three section buildings, an equipment storage building, and three salt storage buildings. It also includes miscellaneous land purchases for district facilities. The project includes \$2.0 million 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 and OMB in requesting and recommending repair dollars, actual requests and recommendations 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 2010, the mid-

year in the 2009-11 biennium. For example, if a building was built or renovated in 1953, the building age is 57 (2010-1953).

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.

Deferred Maintenance

Deferred maintenance is a subcategory of extraordinary repairs. These are repairs that should have been made prior to the current budget period. The most likely scenario of repairs not being made in a timely fashion would be lack of funding. OMB was asked to specifically identify deferred maintenance from ongoing repair dollars in appropriation bills for the 2009-11 biennium.

The schedule on the following page shows amounts appropriated for each state agency for extraordinary repairs and deferred maintenance for the 2009-11 biennium. The chart also compares the appropriation to the amount calculated through the building and infrastructure formulas.

Extraordinary Repairs and Deferred Maintenance Appropriations 2009-11

No.	AgencyName	Deferred Maintenance	Extraordinary Repairs	Total Appropriation	Total Formula	% of Formula Appropriated
110	Office of Managementand Budget	0	4,487,000	4,487,000	6,986,748	64%
112	Information Technology Dept	0	60,000	60,000	54,076	111%
227	Bismarck State College	340,637	243,481	584,118	2,488,954	23%
228	Lake Region State College	93,807	43,662	137,469	916,959	15%
229	Williston State College*	382,002	86,475	468,477	1,037,325	45%
230	University of North Dakota	7,178,674	2,300,545	9,479,219	26,089,264	36%
235	North Dakota State University	5,355,817	1,692,226	7,048,043	16,563,735	43%
238	ND State College of Science	1,034,143	753,332	1,787,475	6,254,906	29%
239	Dickinson State University	1,662,172	383,690	2,045,862	2,088,089	98%
240	Mayville State University	1,910,120	208,994	2,119,114	2,147,232	99%
241	Minot State University	595,111	596,870	1,191,981	4,926,467	24%
242	Vallley City State University	1,304,921	258,416	1,563,337	2,150,258	73%
243	Minot State University-Bottineau	97,021	109,725	206,746	711,888	29%
244	North Dakota Forest Service	45,576	36,638	82,214	510,039	16%
252	School for the Deaf	98,605	41,000	139,605	718,128	19%
253	ND Vision Services	64,500	6,000	70,500	214,510	33%
301	ND Department of Health	0	236,666	236,666	325,226	73%
313	Veterans Home	0	0	0	727,680	0%
325	Department of Human Services	0	3,443,692	3,443,692	8,619,753	40%
380	Job Service North Dakota	0	0	0	808,037	0%
412	Aeronautics Commission	0	0	0	82,309	0%
471	Bank of North Dakota	0	0	0	411,853	0%
485	Workforce Safety and Insurance	0	0	0	642,230	0%
504	Highway Patrol	100,000	0	100,000	144,553	69%
530	Dept of Correctionsand Rehab	1,372,519	259,543	1,632,062	6,006,003	27%
540	Office of the Adjutant General	0	4,500,000	4,500,000	10,213,023	44%
616	State Seed Department	0	98,500	98,500	98,533	100%
628	Branch Research Centers	0	0	0	1,391,570	0%
640	NDSU Main Research Center	450,000	1,340,465	1,790,465	641,614	279%
649	Agronomy Seed Farm	0	0	0	118,488	0%
701	Historical Society	0	1,947,819	1,947,819	1,436,547	136%
720	Game and Fish Department	0	1,250,000	1,250,000	567,408	220%
750	Parks and Recreation Dept	835,400	400,500	1,235,900	4,418,513	28%
770	State Water Commission	0	0	0	74,928	0%
801	Dept of Transportation	0	663,000	663,000	3,924,520	17%
TOTALS		\$22,921,025	\$25,448,239	\$48,369,264	\$114,511,366	42%

*Data not received for 2009-11. These figures from the 2007-09 biennium.

Other Capital Payments Appropriations – 2009-2011

Agency	Project Description	Total	General Fund	Federal Funds	Special Funds	
110	OFFICE OF MANAGEMENT AND BUDGET	Bond Repayment	\$665,298	\$665,298	\$0	\$0
112	INFORMATION TECHNOLOGY	Bond Repayment	5,405,746	0	0	5,405,746
125	OFFICE OF THE ATTORNEY GENERAL	Bond Repayment	765,882	765,882	0	0
215	ND UNIVERSITY SYSTEM	Bond Repayment	12,014,048	11,296,798	0	717,250
301	ND DEPARTMENT OF HEALTH	Bond Repayment	704,127	356,077	348,050	0
325	DEPARTMENT OF HUMAN SERVICES	Bond Repayment	939,386	939,386	0	0
380	JOB SERVICE NORTH DAKOTA	Special Assessments	20,000	0	20,000	0
530	DEPT OF CORRECTIONS AND REHAB	Bond Repayment	2,203,515	2,203,515	0	0
540	ADJUTANT GENERAL	Bond Repayment	70,627	70,627	0	0
		Payment in lieu of taxes at Camp Grafton	37,000	37,000	0	0
		Special Assessments - Bismarck	6,000	6,000	0	0
		Special Assessments - Fargo	58,043	58,043	0	0
	TOTAL ADJUTANT GENERAL		171,670	171,670	0	0
628	BRANCH RESEARCH CENTERS	Bond Repayment	56,908	56,908	0	0
		Bond Repayment	92,726	92,726	0	0
	TOTAL BRANCH RESEARCH CENTERS		149,634	149,634	0	0
640	NDSU MAIN RESEARCH CENTER	Bond Repayment	421,789	421,789	0	0
665	ND STATE FAIR	Bond Repayment	210,000	210,000	0	0
701	HISTORICAL SOCIETY	Bond Repayment	1,392,393	1,359,060	0	33,333
720	GAME AND FISH DEPARTMENT	In Lieu of Tax Payments for Department Lands	1,200,000	0	200,000	1,000,000
		Land Acquisition	800,000	0	0	800,000
	TOTAL GAME AND FISH		2,000,000	0	200,000	1,800,000
750	PARKS AND RECREATION DEPT	Bond Repayment	73,630	73,630	0	0
770	WATER COMMISSION	Bond Repayment	16,866,625	0	0	16,866,625
		NAWS and SWPP	87,748,072	0	62,000,000	25,748,072
	TOTAL WATER COMMISSION		104,614,697	0	62,000,000	42,614,697
801	DEPT OF TRANSPORTATION	Bond Repayment	2,026,921	0	0	2,026,921
		Road Projects	798,809,927	0	663,625,950	135,183,977
	TOTAL DEPT OF TRANSPORTATION		800,836,848	0	663,625,950	137,210,898
			\$932,588,663	\$18,612,739	\$726,194,000	\$187,781,924