

State of North Dakota
Legislative Appropriations
2013-15 Biennium



Governor Jack Dalrymple

Pam Sharp, Director
Office of Management and Budget

Sheila Peterson, Director
Fiscal Management

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

Photo: Partly cloudy Sunflower, by Karen Thomas, Karlsruhe



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of North Dakota

For the Biennium Beginning

July 1, 2011

Linda C. Danson Jeffrey R. Emer

President

Executive Director

EXECUTIVE SUMMARY 1

- Appropriation Comparisons 2
- One-Time Expenditures 2013-15..... 5
- FTE Comparison..... 12
- Employee Compensation..... 15
- 2011-13 Supplemental Appropriations..... 17
- Basis of Budget and Accounting 18

FINANCIAL SUMMARY 19

- General Fund 19
- Other Funds 20
- Economic Outlook..... 21
- Oil and Gas Taxes 21
- Oil Extraction and Production Tax Allocation Chart 24
- Agency Fund Matrix 25
- Consolidated Funds Statement 2011-13 27
- Consolidated Funds Statement 2013-15 28
- General Fund Budget 2011-13 and 2013-15 29
- Total Funds Budget 2011-13 and 2013-15 34

SPECIAL FUND STATEMENTS 35

- Bonding Fund..... 35
- Budget Stabilization Fund 36
- Community Health Trust Fund 37
- Disaster Relief Fund 38
- Fire and Tornado Fund 39
- Foundation Aid Stabilization Fund 40
- Health Care Trust Fund 41
- Highway Tax Distribution Fund 42
- Legacy Fund 44
- ND Outdoor Heritage Fund 45
- Property Tax Relief Sustainability Fund 46
- Resources Trust Fund 47
- State Aid Distribution Fund 48
- Strategic Investment and Improvements Fund 49
- Tobacco Prevention and Control Trust Fund 50

Tobacco Settlement Trust Fund..... 51

Tuition Apportionment Fund..... 52

Water Development Trust Fund..... 53

EXPENDITURE HIGHLIGHTS 54

***General Government* 54**

 Secretary of State 54

 Office of Management and Budget 54

 Information Technology Department..... 54

 Office of Attorney General..... 54

 Office of State Tax Commissioner 55

 Judicial Branch..... 55

 Commission on Legal Counsel of Indigents..... 56

 Public Employees Retirement System 56

***Education*..... 57**

 Higher Education..... 57

 Elementary, Secondary, and Other Education..... 59

 Department of Public Instruction 59

 Department of Trust Lands 63

 State Library..... 63

 School for the Deaf/Resource Center for Deaf and Hard of Hearing 64

 ND Vision Services/School for the Blind 64

 Department of Career and Technical Education 64

***Health and Human Services*..... 65**

 Department of Health 65

 Veterans Home 65

 Department of Veterans Affairs..... 66

 Department of Human Services 66

***Regulatory* 68**

 Insurance Department..... 68

 Industrial Commission..... 69

 Public Service Commission..... 69

 Bank of North Dakota..... 69

 ND Housing Finance..... 69

 ND Mill and Elevator 70

 Workforce Safety and Insurance..... 70

Public Safety	70
Highway Patrol	70
Office of the Adjutant General	70
Department of Corrections and Rehabilitation	71
Agriculture/Economic Development	72
Department of Commerce	72
Office of the Commissioner of Agriculture	74
Upper Great Plains Transportation Institute, Northern Crops Institute, Extension Service and Research Stations	75
ND State Fair	76
Natural Resources/Transportation	77
Historical Society	77
Game and Fish Department	77
Parks and Recreation Department	78
State Water Commission	79
Department of Transportation	79
CAPITAL ASSETS	81
Capital Assets Appropriations by Category 2013-15	82
Capital Projects	89
Capital Projects Appropriations 2013-15	90
Capital Projects Descriptions by Agency	92
Extraordinary Repairs	100
Extraordinary Repairs Appropriations 2013-15	102
Other Capital Payments Appropriations 2013-15	103

EXECUTIVE SUMMARY



Governor Jack Dalrymple's budget recommendation for the 2013-15 biennium centered around funding budget priorities with a special emphasis on infrastructure, providing additional tax relief, and setting aside adequate reserves. In his budget message, the Governor said, "I believe we have produced a budget for the people of North Dakota that is appropriate for a very special time in our state's history—a time of incredible growth and expansion, but it is also a budget which is careful to recognize the risks of overexpansion." The budget recommendation included leaving \$2.488 billion in reserves, on-going spending that was \$1.002 billion less than on-going revenues, one-time capital investments in infrastructure projects throughout the state, and additional property tax and individual income 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.

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

- Increasing the homestead tax credit;
- Providing property, corporate, and income tax relief;
- Dedicating \$2.736 billion for state highway maintenance;
- Increasing funding \$549.2 million for k-12 education under a new funding plan;
- Providing an additional 60 mills property tax relief through the school funding formula;
- Replacing \$93.9 million in decreased federal funding in human services;
- Dedicating \$384.0 million to new and ongoing water projects;
- More than doubling the amount of funds available to political subdivisions through the oil tax formula;
- Proposing a new funding model for higher education based on completed credit hours;
- Supporting additional contributions to retirement funds for state employees;
- Improving emergency communication, law enforcement training, and environmental regulation;
- Adding dollars in support of mental health programming;
- Increasing reimbursement rates to healthcare providers;
- Increasing the housing incentive fund; and
- Creating an outdoor heritage fund.

In total, the general fund budget recommendation was \$4.786 billion and the entire budget recommendation, including federal and special funds, was \$12.785 billion. The 2013 Legislative Assembly increased the Governor's total budget by \$959.6 million or 7.5 percent.

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

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2011-13 AND 2013-15 LEGISLATIVE APPROPRIATIONS AND 2013-15 EXECUTIVE RECOMMENDATION

Agency	2011-13 Legislative Appropriation ¹¹		2013-15 Executive Recommendation		2013-15 Legislative Appropriation	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
General Government						
Executive Branch						
101 Office of the Governor	\$3,773,942	\$25,291,658	\$3,978,295	\$3,978,295	\$4,033,873	\$4,033,873
108 Office of the Secretary of State	9,326,160	16,113,144	6,691,408	12,537,257	6,646,849	12,491,266
110 Office of Management and Budget ¹²	32,892,699	43,407,160	41,174,940	50,764,335	45,436,688	59,667,318
110 Office of Management and Budget Transfers ¹³	474,700,000	474,700,000	683,600,000	683,600,000	315,210,000	315,210,000
112 Information Technology Department	19,252,204	183,674,964	20,763,061	171,053,947	21,254,428	170,928,981
117 Office of the State Auditor	7,143,808	9,571,330	8,186,230	11,259,905	8,473,489	11,510,407
120 Office of the State Treasurer	49,705,390	49,705,390	1,897,585	1,897,585	311,333,469	311,333,469
125 Office of the Attorney General	31,542,245	58,969,422	37,358,136	66,370,599	38,851,628	83,834,078
127 Office of the State Tax Commissioner	39,238,449	39,248,449	67,640,129	67,765,129	57,054,140	57,179,140
140 Office of Administrative Hearings		1,827,199		2,824,295		2,818,896
188 Comm on Legal Counsel for Indigents	9,808,430	11,779,282	12,046,125	14,547,802	11,923,410	14,421,276
190 Retirement and Investment Office		4,232,954		4,648,730		4,899,369
192 Public Employees Retirement System		6,867,890		7,715,503		7,650,450
Total Executive Branch	\$677,383,327	\$925,388,842	\$883,335,909	\$1,098,963,382	\$820,217,974	\$1,055,978,523
Legislative and Judicial Branches						
150 Legislative Assembly	\$14,267,917	\$14,267,917	\$14,336,364	\$14,336,364	\$13,921,971	\$13,921,971
160 Legislative Council	11,561,158	11,631,158	12,150,457	12,220,456	12,862,475	12,932,474
180 Judicial Branch	83,482,362	85,664,636	97,417,252	99,592,841	98,305,993	100,481,582
Total Legislative and Judicial Branches	\$109,311,437	\$111,563,711	\$123,904,073	\$126,149,661	\$125,090,439	\$127,336,027
Total General Government	\$786,694,764	\$1,036,952,553	\$1,007,239,982	\$1,225,113,043	\$945,308,413	\$1,183,314,550
Education						
Elementary, Secondary, and Other Education						
201 Department of Public Instruction	\$1,243,980,651	\$1,700,184,074	\$1,043,309,862	\$2,194,721,295	\$1,723,613,325	\$2,160,610,084
226 Land Department	30,000,000	170,465,189		221,504,286		247,506,969
250 State Library	5,263,975	7,398,585	6,221,585	8,622,432	5,875,988	8,270,133
252 School for the Deaf	6,718,772	8,806,779	7,771,990	10,347,658	7,799,379	10,370,566
253 ND Vision Services/School for the Blind	3,797,240	4,632,331	4,875,866	5,735,221	7,694,093	8,547,849
270 Dept. of Career & Technical Education	27,981,679	38,748,567	30,833,972	41,124,457	32,392,916	42,680,711
Total Elementary, Secondary, and Other Educ.	\$1,317,742,317	\$1,930,235,525	\$1,093,013,275	\$2,482,055,349	\$1,777,375,701	\$2,477,986,312
Higher Education						
215 North Dakota University System Office	\$116,629,810	\$119,384,528	\$156,161,976	\$158,461,888	\$162,045,136	\$164,345,048
227 Bismarck State College	31,935,693	40,470,693	48,714,535	48,714,535	45,706,327	52,371,327
228 Lake Region State College	9,640,610	9,640,610	19,357,137	19,357,137	18,234,648	18,234,648
229 Williston State College	13,518,698	15,743,698	24,187,242	24,187,242	26,321,661	28,821,661
230 University of North Dakota	153,602,504	184,052,504	243,616,414	311,103,676	230,556,333	327,043,595
232 UND Medical Center	46,783,021	46,783,021	55,162,777	55,162,777	56,505,634	56,505,634
235 North Dakota State University	121,939,625	158,039,625	176,620,483	215,779,839	171,193,784	211,013,140
238 ND State College of Science	44,985,191	55,685,191	50,502,178	51,852,178	47,279,714	48,629,714

STATE OF NORTH DAKOTA

APPROPRIATION COMPARISONS

2011-13 AND 2013-15 LEGISLATIVE APPROPRIATIONS AND 2013-15 EXECUTIVE RECOMMENDATION

Agency	2011-13 Legislative Appropriation ¹		2013-15 Executive Recommendation		2013-15 Legislative Appropriation	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
239 Dickinson State University	23,215,454	23,215,454	28,082,814	28,082,814	33,508,305	33,508,305
240 Mayville State University	13,083,328	13,083,328	23,819,658	23,819,658	22,387,066	22,387,066
241 Minot State University	43,020,973	59,055,528	45,286,418	57,088,203	48,940,641	60,742,426
242 Valley City State University	28,162,473	29,177,473	26,655,607	31,462,444	25,284,607	30,091,444
243 Dakota College at Bottineau	7,055,942	7,055,942	8,887,496	16,488,285	9,179,870	16,780,659
244 North Dakota Forest Service	4,212,472	5,215,958	5,509,022	7,159,022	5,486,189	7,136,189
Total Higher Education	\$657,785,794	\$766,603,553	\$912,563,757	\$1,048,719,698	\$902,629,915	\$1,077,610,856
Total Education	\$1,975,528,111	\$2,696,839,078	\$2,005,577,032	\$3,530,775,047	\$2,680,005,616	\$3,555,597,168

Health and Human Services

301 ND Department of Health	\$34,013,780	\$194,962,533	\$45,985,263	\$186,201,964	\$46,001,508	\$185,569,942
305 Tobacco Control Advisory Committee		12,922,614		13,016,197		15,815,828
313 Veterans Home	5,553,323	20,896,646	8,088,294	23,861,920	7,722,353	24,152,153
316 Indian Affairs Commission	822,878	822,878	1,033,482	1,033,482	1,027,558	1,027,558
321 Department of Veterans Affairs	1,417,219	1,417,219	1,343,167	1,343,167	1,715,703	1,715,703
325 Department of Human Services	940,976,017	2,648,548,255	1,176,869,527	2,790,519,257	1,171,116,129	2,949,452,594
360 Protection and Advocacy Project	1,985,365	5,104,253	2,652,735	5,886,347	2,531,562	5,765,174
380 Job Service North Dakota	1,879,892	71,996,698	1,915,990	80,395,593	2,030,235	79,827,763
Total Health and Human Services	\$986,648,474	\$2,956,671,096	\$1,237,888,458	\$3,102,257,927	\$1,232,145,048	\$3,263,326,715

Regulatory

401 Office of the Insurance Commissioner		\$19,044,080		\$18,958,734		\$26,377,090
405 Industrial Commission	\$18,075,613	64,842,369	\$22,419,118	63,356,975	\$22,494,125	63,467,917
406 Office of the Labor Commissioner	1,540,125	1,964,636	1,887,217	2,325,143	1,847,425	2,285,351
408 Public Service Commission	6,020,215	19,081,863	6,563,223	19,645,306	7,091,740	20,479,209
412 Aeronautics Commission	554,500	13,088,188	550,000	13,017,139	6,550,000	19,013,427
413 Dept. of Financial Institutions		6,836,318		7,640,294		7,580,217
414 Securities Department	1,909,220	2,226,419	2,125,192	2,321,042	2,127,782	2,297,782
471 Bank of North Dakota	34,400,000	141,253,155		52,452,928		103,150,147
473 North Dakota Housing Finance Agency		38,590,046		40,862,039	15,400,000	57,907,491
475 North Dakota Mill and Elevator		47,071,877		52,255,124		52,123,557
485 Workforce Safety and Insurance		58,413,293		63,131,407		63,322,422
Total Regulatory	\$62,499,673	\$412,412,244	\$33,544,750	\$335,966,131	\$55,511,072	\$418,004,610

Public Safety

504 Highway Patrol	\$35,125,144	\$46,650,469	\$49,805,623	\$63,589,300	\$47,608,042	\$61,000,584
530 Department of Corrections & Rehab	159,565,919	191,172,069	179,983,725	210,657,080	180,915,389	217,050,311
540 Adjutant General	29,853,555	326,957,933	31,795,634	281,869,317	31,150,829	280,995,426
Total Public Safety	\$224,544,618	\$564,780,471	\$261,584,982	\$556,115,697	\$259,674,260	\$559,046,321

STATE OF NORTH DAKOTA
APPROPRIATION COMPARISONS

2011-13 AND 2013-15 LEGISLATIVE APPROPRIATIONS AND 2013-15 EXECUTIVE RECOMMENDATION

<u>Agency</u>	<u>2011-13 Legislative Appropriation</u> ¹		<u>2013-15 Executive Recommendation</u>		<u>2013-15 Legislative Appropriation</u>	
	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>	<u>General Fund</u>	<u>Total Funds</u>
<u>Agriculture and Economic Development</u>						
601 Dept of Commerce	\$41,759,865	\$365,394,802	\$56,325,031	\$124,566,065	\$64,457,060	\$139,820,082
602 North Dakota Department of Agriculture	8,196,746	22,997,997	9,512,066	24,721,612	9,519,217	25,273,808
616 State Seed Department		6,894,011				
627 Upper Great Plains Transportation Institute	1,919,628	24,419,961	2,828,575	25,353,629	4,076,824	26,529,787
628 Branch Research Centers	14,945,208	29,942,789	17,725,012	33,746,878	17,585,702	33,586,785
630 NDSU Extension Service	24,885,644	48,014,454	28,650,644	54,088,058	28,909,265	53,757,074
638 Northern Crops Institute	1,692,582	3,347,307	2,074,344	3,874,651	2,064,861	3,862,022
640 NDSU Main Research Center	54,456,398	98,589,973	57,037,737	110,293,322	58,606,521	111,660,237
649 Agronomy Seed Farm		1,435,168		1,474,961		1,471,759
665 North Dakota State Fair	730,000	730,000	4,046,000	4,046,000	3,296,000	3,296,000
670 Racing Commission	317,501	447,501	397,560	563,967	389,244	555,651
Total Agriculture and Econ Dev	\$148,903,572	\$602,213,963	\$178,596,969	\$382,729,143	\$188,904,694	\$399,813,205
<u>Natural Resources</u>						
701 State Historical Society	\$13,034,891	\$16,585,304	\$15,301,371	\$18,547,874	\$15,481,811	\$18,703,775
709 Council on the Arts	1,363,602	3,218,462	1,514,144	3,259,061	1,504,102	3,249,019
720 Game and Fish Department		65,687,742	0	68,091,737		67,553,639
750 Department of Parks and Recreation	16,623,556	29,293,088	17,144,649	28,936,484	20,032,338	31,808,069
770 State Water Commission	14,995,199	509,415,420	17,779,644	827,139,032		859,045,805
Total Natural Resources	\$46,017,248	\$624,200,016	\$51,739,808	\$945,974,188	\$37,018,251	\$980,360,307
<u>Transportation</u>						
801 Department of Transportation	\$5,850,000	\$1,754,904,459	\$10,000,000	\$2,705,703,578	\$1,464,020,000	\$3,384,799,434
Total Transportation	\$5,850,000	\$1,754,904,459	\$10,000,000	\$2,705,703,578	\$1,464,020,000	\$3,384,799,434
TOTAL ALL BUDGETS	\$4,236,686,460	\$10,648,973,880	\$4,786,171,981	\$12,784,634,754	\$6,862,587,354	\$13,744,262,310

¹ 2011-13 Legislative Appropriations include appropriations authorized by the 2011 legislature during the November 2011 special session.

² OMB budget includes:
 - \$2,000,000 for the health insurance pool for temporary employees
 - \$8,500,000 for the energy development impact funding pool

³ OMB transfers include:
 - Executive Recommendation transfer of \$686,600,000 to the highway fund
 - Legislative Appropriation transfer of \$315,210,000 to the property tax relief sustainability fund

One-Time Expenditures 2013-15

	Executive Budget Gen. Fund	Legislative Budget Gen. Fund
108 Secretary of State		
Hosting Charges - AS400	\$84,000	\$84,000
Multi-Purpose Copier	10,000	10,000
Funding for New FTE		283,754
Overtime Funding		225,600
Agency Total	\$94,000	\$603,354
110 OMB		
Capitol South Entrance Remodel	\$1,000,000	\$1,000,000
Exterior Restoration of Legislative & Judicial Wing	1,500,000	1,500,000
General Fund Transfer to Highway Fund	683,600,000	
General Fund Transfer to Property Tax Relief Sustainability Fund		315,210,000
Health Insurance Pool for Temporary Employees re: ACA	1,000,000	1,000,000
ND 125th Anniversary Coordinator	190,000	190,000
Parking Lot Remodel	4,000,000	4,000,000
Prairie Public Broadcasting	700,000	600,000
Repairing and Cleaning Flooring in Capitol and Judicial Wing	1,200,000	1,200,000
State Energy Development Impact Pool		4,000,000
Information Technology Relocation and Consolidation Study		200,000
Agency Total	\$693,190,000	\$328,900,000
112 ITD		
CJIS - Projects	\$200,000	\$800,000
ETC Grants	200,000	200,000
Electronic Records Archiving Study	100,000	100,000
GIS Projects	215,000	215,000
Agency Total	\$715,000	\$1,315,000
117 State Auditor		
Vault Renovation	\$45,000	\$45,000
Agency Total	\$45,000	\$45,000
120 State Treasurer		
IT Development Costs to Update TDOC System	\$191,516	\$390,838
Township Distribution in Oil-Producing Counties		8,760,000
Township Transportation Distributions Corrections		385,000
Property Tax Relief Credits		200,000,000
Transportation Funding Distributions		100,000,000
Agency Total	\$191,516	\$309,535,838
125 Attorney General		
Oil Impact Assistance	\$135,090	
Undercover Vehicles	198,000	\$198,000
Secure Continuous Remote Alcohol Monitors		1,200,000
Agency Total	\$333,090	\$1,398,000

One-Time Expenditures 2013-15

	<u>Executive Budget</u> <u>Gen. Fund</u>	<u>Legislative Budget</u> <u>Gen. Fund</u>
127 Tax Department		
Oil Patch Housing and Compensation Adjustments	\$112,364	
TAP Project	1,000,000	\$1,000,000
Agency Total	\$1,112,364	\$1,000,000
150 Legislative Assembly		
Information Technology Projects	\$439,000	\$42,000
Legislative Wing Equipment and Improvements	500,000	500,000
Agency Total	\$939,000	\$542,000
160 Legislative Council		
2013-15 One-Time Funding	\$125,000	
Office Equipment Replacement		\$25,000
Office Improvements		50,000
IT Projects		50,000
K-12 Education Funding Study		100,000
Higher Education Funding Study		150,000
Agency Total	\$125,000	\$375,000
180 Judicial Branch		
Equipment Over \$5,000	\$848,026	\$848,026
IT Projects	324,850	324,850
Agency Total	\$1,172,876	\$1,172,876
201 Department of Public Instruction		
Initiative Funding Pool		\$2,750,000
School District Safety Grants		3,000,000
IT Staffing Analysis		100,000
Early Childhood Care and Education Study		200,000
Governing North Dakota Textbook Publication		20,000
Agency Total	\$0	\$6,070,000
215 NDUS		
ND Higher Education Challenge Fund	\$30,000,000	\$29,000,000
New Program Start-Up Pool	1,500,000	
Systemwide Deferred Maintenance	10,000,000	10,000,000
Master Plan and Space Utilization Study	1,000,000	1,000,000
Capital Projects Contingency Pool		5,483,413
Performance Funding Pool		5,000,000
Agency Total	\$42,500,000	\$50,483,413
227 Bismarck State College		
Communication and Creative Arts Center	\$13,300,000	\$12,635,000
Agency Total	\$13,300,000	\$12,635,000
228 Lake Region State College		
Erlandson Technical Center Addition/Renovation	\$5,947,562	\$5,650,184
Agency Total	\$5,947,562	\$5,650,184

One-Time Expenditures 2013-15

	Executive Budget	Legislative Budget
	Gen. Fund	Gen. Fund
229 Williston State College		
Stevens Hall Renovation	\$12,242,478	\$11,630,354
Campus Drive	1,800,000	1,710,000
Agency Total	\$14,042,478	\$13,340,354
230 University of North Dakota		
School of Medicine and Health Sciences	\$68,300,000	\$60,450,000
Law School	12,000,000	11,400,000
ND Museum of Art		190,000
Bismarck Family Practice Center Skywalk		750,000
Agency Total	\$80,300,000	\$72,790,000
232 UND School of Medicine		
Healthcare Workforce Initiative Start-Up Costs	\$7,414,806	\$7,414,806
Agency Total	\$7,414,806	\$7,414,806
235 North Dakota State University		
STEM Classroom/Laboratory Building	\$29,600,000	\$28,120,000
Agency Total	\$29,600,000	\$28,120,000
238 North Dakota State College of Science		
Old Main Renovation	\$8,511,452	\$8,085,879
Agency Total	\$8,511,452	\$8,085,879
239 Dickinson State University		
Theodore Roosevelt Center Operations		\$800,000
Theodore Roosevelt Presidential Library		6,000,000
Agency Total	\$0	\$6,800,000
240 Mayville State University		
Old Gymnasium Replacement & Improvements	\$5,800,000	\$5,510,000
Campus-Wide Drainage Improvements	2,267,000	2,153,650
Agency Total	\$8,067,000	\$7,663,650
241 Minot State University		
Plant Services Building	\$1,821,905	\$1,730,810
Flood Recovery		2,500,000
Agency Total	\$1,821,905	\$4,230,810
242 Valley City State University		
Hillside Slope Failure	\$505,800	\$480,510
Vangstad Hall Renovation	3,636,466	3,454,643
Former President's House Restoration		250,000
Agency Total	\$4,142,266	\$4,185,153

One-Time Expenditures 2013-15

	Executive Budget Gen. Fund	Legislative Budget Gen. Fund
243 Dakota College at Bottineau		
Campus Backup Generator	\$395,600	\$375,820
Software Upgrades		28,500
Thatcher Hall Heating Upgrades		769,500
Agency Total	\$395,600	\$1,173,820
244 Forest Service		
Nursery Freezer Conversion & Shop Facility	\$785,000	\$785,000
Agency Total	\$785,000	\$785,000
250 State Library		
Library Repair and Maintenance Grants	\$275,000	
Agency Total	\$275,000	\$0
253 Vision Services - School for the Blind		
Elevator Installation	\$241,500	\$241,500
Remodel of West Wing		2,762,000
Window Replacements	189,000	189,000
Agency Total	\$430,500	\$3,192,500
270 Career and Technical Education		
Workforce Training Equipment Grants		\$1,000,000
Agency Total	\$0	\$1,000,000
301 Health Department		
EPA Legal Fees Contingency	\$500,000	\$500,000
Funding to Contract for Autopsies		480,000
Food and Lodging Licensing Mgmt System	110,000	
Mobile Dental Care Services Grant		100,000
Agency Total	\$610,000	\$1,080,000
313 Veterans Home		
Demolition of Old Veterans Home	\$560,500	\$560,500
Agency Total	\$560,500	\$0
321 Veterans Affairs		
Website Upgrade	\$15,000	\$15,000
Vans		30,000
Post War Trust Fund Transfer		250,000
Agency Total	\$15,000	\$295,000
325 Department of Human Services		
Demolish Pleasant View and Refectory Buildings - Dev Ctr	\$360,000	\$220,000
Field Services Electronic Health Records	5,000,000	2,500,000

One-Time Expenditures 2013-15

	Executive Budget	Legislative Budget
	Gen. Fund	Gen. Fund
Mainframe Migration	148,907	148,907
Oil Patch Add-On for Staff	3,253,008	
Street Reconstruction - State Hospital	864,714	864,714
Funding for Ramsey County		300,000
Grants for Adaptive Skiing		200,000
Childcare Inclusion Grants		400,000
Agency Total	\$9,626,629	\$4,633,621
380 Job Service North Dakota		
Oil and Gas Related Employment Data		\$120,000
Agency Total	\$0	\$120,000
405 Industrial Commission		
Architect Services for Core Library	\$25,000	\$25,000
Housing Allowance	400,000	
Oil Bearing Rocks Study	80,000	80,000
Possible Litigation with Fed Agencies	1,000,000	1,000,000
Temperature Profiles Study	50,000	50,000
Wide Bed Plotter	5,800	5,800
Agency Total	\$1,560,800	\$1,160,800
408 Public Service Commission		
Hydraulic Soil Probe	\$10,080	\$10,080
Reclamation and Grain Licensing Litigation		414,000
Agency Total	\$10,080	\$424,080
412 Aeronautics Commission		
Grants to Airports		\$6,000,000
Agency Total	\$0	\$6,000,000
414 Securities Department		
Retirement Leave Payouts	\$38,927	\$38,927
Information Technology Equipment		25,850
Agency Total	\$38,927	\$64,777
473 Housing Finance Agency		
Housing Incentive Fund		\$15,400,000
Agency Total	\$0	\$15,400,000
504 Highway Patrol		
Emergency Lighting Equipment	\$585,000	\$585,000
Energy Impact Allowance	261,000	
LETA Extraordinary Repairs	105,000	105,000
LETA Project	5,786,000	4,350,000
Taser Replacement	176,000	176,000
Two Trailer Scale Systems	131,000	131,000
Agency Total	\$7,044,000	\$5,347,000

One-Time Expenditures 2013-15

	Executive Budget	Legislative Budget
	Gen. Fund	Gen. Fund
530 Department of Corrections and Rehabilitation		
Missouri River Correctional Center Flood Hazard Mitigation	\$349,950	\$349,950
Equipment	254,900	254,900
Extraordinary Repairs	1,283,296	1,683,296
IT Upgrades	652,900	652,900
Missouri River Correctional Center Study		200,000
Oil Patch Housing and Salary Adjustments	266,352	
Agency Total	\$2,807,398	\$3,141,046
540 Adjutant General		
Computer Aided Dispatch (CAD) Upgrade	\$340,000	\$340,000
State Radio Facility Expansion	1,201,240	1,201,240
State Radio Fire Suppression Project	210,000	210,000
State Radio Towers	1,500,000	1,175,000
State Radio Voice Incident Recorder	150,000	150,000
Statewide Seamless Basemap Completion	1,300,000	650,000
Veterans Bonus Program	600,000	600,000
Veterans Book		50,000
Agency Total	\$5,301,240	\$4,376,240
601 Commerce		
Base Realignment Grants	\$1,500,000	\$1,500,000
Childcare Facility Grants and Loans	5,000,000	2,600,000
Planning Initiative	1,000,000	
Research ND	12,000,000	12,000,000
Tourism Large Infrastructure Grants	1,325,000	750,000
Transportation Infrastructure Study	350,000	
Unmanned Aerial System Grant	1,000,000	5,000,000
Workforce Enhancement Program	2,000,000	2,000,000
Visual ND		250,000
Value-Added Renewable Energy Study		500,000
Homeless Shelter Grants		2,000,000
Rural Health Services Grant		400,000
Tribal Community College Grants		5,000,000
Innovation Grants		300,000
Agency Total	\$24,175,000	\$32,300,000
627 Upper Great Plains Transportation Institute		
State Match for Federal Grants		\$1,250,000
Agency Total	\$0	\$1,250,000
630 NDSU Extension Service		
Extension 4-H Camp Renovation	\$500,000	\$950,000
Master Gardener Summer Internships		25,000
Video Conference Equipment	110,000	110,000
Agency Total	\$610,000	\$1,085,000
638 Northern Crops Institute		
Feedmill Equipment	\$100,000	\$100,000
Agency Total	\$100,000	\$100,000

One-Time Expenditures 2013-15

	Executive Budget Gen. Fund	Legislative Budget Gen. Fund
640 Main Research Center		
Agronomy Laboratories	\$4,300,000	\$5,925,000
Vet Diagnostic Equipment	400,000	400,000
Agency Total	\$4,700,000	\$6,325,000
665 State Fair		
Flood Damage Repair	\$3,500,000	\$2,750,000
Agency Total	\$3,500,000	\$2,750,000
701 Historical Society		
8th Grade Curriculum - ND Studies	\$150,000	\$150,000
Historic Sites Exhibits	65,000	50,000
Oil Patch Housing Allowance	50,000	
State's 125th Celebration	150,000	100,000
Initiative Funding Pool		950,000
Traveling Exhibit Funding	250,000	
Agency Total	\$665,000	\$1,250,000
709 Council on the Arts		
Funding to Update Cultural Guide	\$10,000	\$10,000
Agency Total	\$10,000	\$10,000
750 Parks & Recreation		
Capital Projects	\$2,930,000	\$2,917,500
Military Artifacts and Exhibit Cases		10,000
Equipment		50,000
Community Grant Program	400,000	500,000
Lewis and Clark Interpretive Center Grant		1,350,000
Update Strategic Master Plans	100,000	100,000
International Peace Garden Capital Projects		1,250,000
Agency Total	\$3,430,000	\$6,177,500
770 Water Commission		
Renovate Office Space	\$45,000	
Replace Excavator	243,200	
Agency Total	\$288,200	\$0
801 Department of Transportation		
TIGER III Match	\$10,000,000	\$10,000,000
License Plate Issue		6,820,000
Airplane Replacements		4,500,000
Highway Construction and Maintenance		620,000,000
Transportation Distribution to Oil Producing Counties		160,000,000
Transportation Distribution to Non-Oil Producing Counties		120,000,000
Enhanced State Highway Investments		541,600,000
Contingent Transfers to Public Transportation Fund		1,100,000
Agency Total	\$10,000,000	\$1,464,020,000
Total	\$990,504,189	\$2,433,567,701

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	2009-11 Legislatively Authorized FTE	2011-13 Legislatively Authorized FTE ¹	2013-15 Executive Recommendation	2013-15 Legislatively Authorized FTE	Change from 2011-13 to 2013-15
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	28.00	28.00	31.00	31.00	3.00
110 Office of Management and Budget	132.50	131.50	131.50	130.50	(1.00)
112 Information Technology Department ²	328.20	336.30	340.30	340.30	4.00
117 Office of the State Auditor	51.80	50.80	52.80	53.80	3.00
120 Office of the State Treasurer	7.00	7.00	8.00	8.00	1.00
125 Office of the Attorney General	202.50	204.00	211.50	213.50	9.50
127 Office of the State Tax Commissioner	133.00	134.00	134.00	134.00	0.00
140 Office of Administrative Hearings	5.00	5.00	5.00	5.00	0.00
188 Commission on Legal Counsel of Indigents	30.00	30.00	33.00	33.00	3.00
190 Retirement and Investment Office	17.00	18.00	18.00	19.00	1.00
192 Public Employees Retirement System	33.00	33.00	33.00	33.00	0.00
Total Executive Branch	986.00	995.60	1016.10	1019.10	23.50
<i>Legislative and Judicial Branches</i>					
150 Legislative Assembly	0.00	0.00	0.00	0.00	0.00
160 Legislative Council	34.00	34.00	34.00	37.00	3.00
180 Judicial Branch	342.00	344.00	359.00	363.00	19.00
Total Legislative and Judicial Branches	376.00	378.00	393.00	400.00	22.00
Education					
<i>Elementary, Secondary, and Other Education</i>					
201 Department of Public Instruction	99.75	99.75	99.75	99.75	0.00
226 Department of Trust Lands	21.75	24.75	31.00	31.00	6.25
250 State Library	29.75	29.75	29.75	29.75	0.00
252 School for the Deaf	43.94	43.94	44.61	44.61	0.67
253 ND Vision Services/School for the Blind	29.50	29.50	29.50	30.00	0.50
270 Dept. of Career and Technical Education	28.50	27.50	27.00	27.00	(0.50)
Total Elementary, Secondary and Other Education	253.19	255.19	261.61	262.11	6.92
<i>Higher Education</i>					
215 North Dakota University System Office	94.18	100.31	107.31	112.91	12.60
227 Bismarck State College	111.51	126.96	130.96	126.96	0.00
228 Lake Region State College	37.50	40.22	43.22	40.22	0.00
229 Williston State College	43.42	44.15	50.15	44.15	0.00
230 University of North Dakota	641.01	642.20	642.20	633.60	(8.60)
232 UND Medical School	137.43	156.55	156.55	156.55	0.00
235 ND State University	562.71	495.21	495.21	491.21	(4.00)
238 ND State College of Science	164.87	171.87	173.62	171.87	0.00
239 Dickinson State University	92.96	100.32	105.32	100.32	0.00

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	2009-11	2011-13	2013-15	2013-15	Change from 2011-13 to 2013-15
	Legislatively Authorized FTE	Legislatively Authorized FTE ¹	Executive Recommendation	Legislatively Authorized FTE	
240 Mayville State University	58.72	62.78	65.78	62.78	0.00
241 Minot State University	187.83	201.76	204.76	201.76	0.00
242 Valley City State University	90.37	97.29	100.29	97.29	0.00
243 Dakota College at Bottineau	34.81	36.12	40.12	36.12	0.00
244 ND Forest Service	26.00	28.00	29.00	29.00	1.00
Total Higher Education	2,283.32	2,303.74	2,344.49	2,304.74	0.00
Health and Human Services					
301 ND Department of Health	343.50	344.00	354.00	354.00	10.00
305 Tobacco Prevention and Control Committee	4.00	5.00	5.00	8.00	3.00
313 Veterans Home	120.72	120.72	120.72	120.72	0.00
316 Indian Affairs Commission	4.00	4.00	5.00	5.00	1.00
321 Department of Veterans Affairs	7.00	7.00	8.00	8.00	1.00
325 Department of Human Services	2,216.88	2,197.35	2,197.08	2,201.08	3.73
360 Protection and Advocacy Project	28.50	28.50	27.50	27.50	(1.00)
380 Job Service North Dakota	284.05	261.76	250.76	250.76	(11.00)
Total Health and Human Services	3,008.65	2,968.33	2,968.06	2,975.06	6.73
Regulatory					
401 Office of the Insurance Commissioner	45.50	49.50	49.50	49.50	0.00
405 Industrial Commission	61.06	76.06	98.75	98.75	22.69
406 Office of the Labor Commissioner	12.00	12.00	13.00	13.00	1.00
408 Public Service Commission	43.00	43.00	43.00	44.00	1.00
412 Aeronautics Commission	6.00	6.00	6.00	6.00	0.00
413 Dept. of Banking and Financial Institutions	29.00	29.00	29.00	29.00	0.00
414 Securities Department	9.00	9.00	9.00	9.00	0.00
471 Bank of North Dakota	176.50	176.50	179.50	179.50	3.00
473 North Dakota Housing Finance Agency	46.00	46.00	46.00	46.00	0.00
475 North Dakota Mill and Elevator Association	131.00	131.00	135.00	135.00	4.00
485 Workforce Safety and Insurance \ ²	247.14	247.14	250.14	250.14	3.00
Total Regulatory	806.20	825.20	858.89	859.89	34.69
Public Safety					
504 Highway Patrol	194.00	198.00	213.00	213.00	15.00
530 Department of Corrections and Rehabilitation	735.29	794.29	814.29	814.29	20.00
540 Office of the Adjutant General	232.00	242.00	246.00	246.00	4.00
Total Public Safety	1,161.29	1,234.29	1,273.29	1,273.29	39.00
Agriculture and Economic Development					
601 Department of Commerce	68.00	68.25	69.25	69.25	1.00
602 North Dakota Department of Agriculture	74.50	77.00	77.00	77.00	0.00
616 State Seed Department	30.00	30.00	0.00	0.00	(30.00)

FTE COMPARISON

LEGISLATIVELY AUTHORIZED AND EXECUTIVE RECOMMENDATION

Department	2009-11	2011-13	2013-15	2013-15	Change from 2011-13 to 2013-15
	Legislatively Authorized FTE	Legislatively Authorized FTE ¹	Executive Recommendation	Legislatively Authorized FTE	
627 Upper Great Plains Transportation Institute	52.30	51.75	53.75	53.75	2.00
628 Branch Research Centers	95.49	103.04	107.04	107.04	4.00
630 NDSU Extension Service	255.75	256.26	258.26	258.26	2.00
638 Northern Crops Institute	11.00	12.00	12.00	12.00	0.00
640 NDSU Main Research Station	329.26	349.01	351.49	351.49	2.48
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	921.30	952.31	933.79	933.79	(18.52)
<u>Natural Resources</u>					
701 State Historical Society	62.00	63.00	69.00	69.00	6.00
709 Council on the Arts	5.00	5.00	5.00	5.00	0.00
720 Game and Fish Department	157.00	157.00	157.00	158.00	1.00
750 Department of Parks and Recreation	53.00	54.00	55.00	55.00	1.00
770 State Water Commission	86.00	87.00	90.00	90.00	3.00
Total Natural Resources	363.00	366.00	376.00	377.00	11.00
<u>Transportation</u>					
801 Department of Transportation	1,054.50	1,063.50	1,079.50	1,079.50	16.00
Grand Total FTE	11,213.45	11,342.16	11,504.73	11,484.48	141.32

NOTES:

\1 2011-13 Legislatively Authorized FTE includes positions authorized by the 2011 legislature during the November 2011 special session.

\2 For the 2013-15 biennium, the Legislature approved the executive recommendation to transfer 4.00 FTE were transferred from Workforce Safety and Insurance to the Information Technology Department.

EMPLOYEE COMPENSATION

The Governor’s recommended compensation package provided funds for employee salary increases following recommendations of the legislative classified employee compensation study and the resulting compensation philosophy statement from NDCC Section 54-44.3-01.2.

The classified employee compensation study included an in-depth review of the process of developing job classifications and assigning appropriate pay grades based on consistent job evaluation. The study also resulted in salary ranges based on a more thorough analysis of market pay including more direct comparison with salaries paid by employers in North Dakota.

In accordance with the compensation philosophy, the appropriation recommendations were “...not provided as a statewide percentage increase...” but were rather “...based on dollar amounts determined necessary to provide competitive compensation...” The appropriation allocations were based on agency employees’ relative position to the Market Policy Point of their salary range and performance.

To address the issue of salaries of classified employees below the Market Policy Point, dollars recommended in the budget were based on a range of 2.0 to 4.0 percent per year for employees in the lowest quartile of the pay range and 1.0 to 2.0 percent per year for employees in the second lowest quartile of the pay range. For employees in the third and fourth quartiles, which are above the Market Policy Point, no market policy increase was recommended. The legislature lowered the Market Policy increase to 2.0 percent per year for employees in the lowest quartile and up to 1.0 percent per year for employees in the second lowest quartile.

In addition to the dollars recommended in the budget to address market, the executive budget recommendation included 3.0 to 5.0 percent each year of the biennium for all employees, classified and unclassified, to be distributed based on the level of performance. Performance-based increases were recommended at 3.0 percent for employees meeting performance standards and up to 5.0 percent for employees exceeding performance standards. Employees whose overall documented performance levels do not meet standards are not eligible for any salary increase. The legislature approved the recommended performance increases for the first year of the biennium but decreased the second year of the biennium to 2.0 to 4.0 percent.

The following chart reflects the implementation of the compensation philosophy statement in NDCC Section 54-44.3-01.2 as appropriated in the 2013-15 budget:

MARKET – PERFORMANCE MATRIX							
Relativity to Market Policy Position			+	Performance Standards			
MPP+	2 nd Qtl	1 st Qtl		FY 2014		FY 2015	
			Meets	Exceeds	Meets	Exceeds	
0.0%	1.0%	2.0%	3.0%	5.0%	2.0%	4.0%	
<i>All increases contingent upon meeting Performance Standards</i>							

Agencies have been provided with models and tools for planning distribution of salary increases but will also have appropriate flexibility to address their specific needs within the intent of the compensation philosophy. Salary increases are not to be given across the board.

The compensation package continues full health insurance for state employees and their families. The total cost for health insurance is \$981.69 per month per employee. This is a \$95.07 or a 10.7 percent increase over last biennium.

The Patient Protection and Affordable Care Act (PPACA) requires employers to provide health insurance to temporary employees meeting certain criteria in the number of hours worked. A \$2.0 million pool was included in the budget of the Office of Management and Budget to be distributed to agencies and institutions that provide health insurance to eligible temporary employees. Of this amount, \$1.0 million is from the general fund and \$1.0 million is other fund authority.

The executive budget recommended the second phase of a state employee retirement fund recovery plan approved by the

2011 legislature. The recommendation provided for an increase in contributions to the retirement system of 2.0 percent on January 1, 2014 and another 2.0 percent on January 1, 2015. Employees would pay 1.0 percent of the annual contribution increase and the employer, the State of North Dakota, would pay 1.0 percent of the annual contribution increase. The legislature approved the January 1, 2014 increase, but did not approve the January 1, 2015 increase.

2011 – 13 SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations were recommended and approved for agencies as follows:

- The Office of the Attorney General to cover a shortfall of \$70,000 for prosecution witness fees. This supplemental appropriation is funded from the general fund.
- The Office of the Tax Commissioner to cover a shortfall of \$981,855 for the Disabled Veterans Credit. This supplemental appropriation is funded from the general fund.
- The Department of Public Instruction to cover a shortfall of \$45,000 in Continuing Education grants. This supplemental appropriation is funded from the general fund.
- Minot State University to cover the state share of costs and FEMA ineligible costs for the 2010 and 2011 floods totaling \$52,745. This supplemental appropriation is funded from the general fund.
- The Department of Health to cover a shortfall of \$126,000 for additional Food and Lodging Division staff in western North Dakota and \$300,000 to repay the loan from the Bank of North Dakota as a result of the Environmental Protection Agency (EPA) lawsuit. These supplemental appropriations are funded from the general fund.
- The Department of Human Services to cover a shortfall of \$20,900,000 due to a decrease in the Federal Medical Assistance Percentage (FMAP) for Federal Fiscal Year (FFY) 2013. This supplemental appropriation is funded from the general fund.
- Job Service North Dakota to repay \$5,847 in interest costs to the Bank of North Dakota on loan dollars used to pay Disaster Unemployment Benefits relating to the 2011 flood. This supplemental appropriation is funded from the general fund.
- The Highway Patrol to cover shortfalls of \$129,000 in motor pool costs and \$171,000 in energy impact related costs. These supplemental appropriations are funded from the general fund.
- The State Fair to cover the state share of costs and FEMA ineligible costs for the 2011 flood totaling \$674,361. This supplemental appropriation is funded from the general fund.
- The Department of Transportation to repay a \$36,138,893 loan from the Bank of North Dakota used to match Federal Highway Emergency Relief funds. This supplemental appropriation is funded from the general fund.

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, while 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***2011-13**

The 2011-13 biennium began with a general fund balance of nearly \$1.000 billion. Throughout the biennium, revenues consistently exceeded projections as North Dakota's economy led the nation in economic growth. Through May 31, 2013, actual collections exceed the original 2011 legislative forecast by over \$1.609 billion, or 48.1 percent. Leading this growth are sales and individual income tax collections, which exceed the legislative forecast by \$777.7 million and \$481.1 million, respectively. Corporate income tax collections exceed the legislative forecast by \$234.4 million, or 211.6 percent. General fund revenues are estimated to be \$5.126 billion for the 2011-13 biennium.

Total general fund expenditures are estimated to be \$4.277 billion, including \$60.3 million supplemental appropriations authorized by the 2013 legislature and \$19.8 million estimated unspent appropriation authority to be returned to the general fund at the end of the biennium. Based on current estimates for revenues and expenditures, the June 30, 2013, ending general fund balance, before transfers to the Budget Stabilization Fund, is projected to be \$1.846 billion. Transfers to the Budget Stabilization Fund are estimated to be \$181.1 million, bringing the balance in that fund to \$583.5 million. After allowing for the required transfer to the budget stabilization fund, the remaining balance in the general fund is estimated to be \$1.665 billion on June 30, 2013.

2013-15

Comparing revenues between bienniums is often difficult due to significant variations in transfers and tax rates. For example, significant individual and corporate income tax reductions have

been approved during the 2009, 2011, and 2013 legislative sessions.

Comparing the 2011-13 biennium revised forecast to the 2013-15 legislative forecast:

- **Sales tax** collections, the state's largest tax source, are expected to grow by \$312.9 million, or 14.5 percent.
- **Motor vehicle excise tax** collections are expected to grow by \$64.2 million, or 24.8 percent.
- **Individual income tax** collections are expected to decline by \$85.3 million. However, the 2013 legislature approved Senate Bill 2156, which provides for a \$100.0 million reduction in individual income taxes during the 2013-15 biennium.
- **Corporate income tax** collections are anticipated to decline by \$2.8 million. This reduction is primarily related to the net effect of two bills: Senate Bill 2156, which lowers corporate income tax rates, and Senate Bill 2325, which eliminates the financial institutions tax and requires financial institutions to pay a corporate tax.
- **Financial institutions taxes** are reduced from \$7.3 million in 2011-13 to \$0 in 2013-15 as a result of elimination of the financial institutions tax through passage of Senate Bill 2325.
- **Insurance premium taxes** are anticipated to decline from \$78.6 million to \$73.4 million as a result of 2013 House Bill 1145, which reduced the general fund share of insurance premium taxes and increased distributions to fire districts by \$7.7 million. The general fund decrease is partially offset by anticipated growth in the tax base.
- **Oil and gas taxes** deposited in the general fund will remain at \$300.0 million, the statutory limit based on NDCC Section 57-51.1-07.5.
- **Interest income** is anticipated to increase from \$14.2 million to \$32.7 million, primarily due to interest income from the Budget Stabilization Fund. Not only will the

increased balance of the fund be expected to earn a larger amount of interest, but during the 2011-13 biennium interest income that would otherwise go to the general fund was retained in the fund.

- **Mineral leasing fees** are mineral leasing and royalty revenue shared between the state and federal government on federal lands within the state. State revenues are then shared equally with the counties in which the minerals are located. Revenues are volatile and subject to fluctuations based on availability of tracts for lease, oil price, and level of production. One-time revenues were received during the 2011-13 biennium, and as a result, the \$19.0 million estimate for 2013-15 is \$15.8 million lower.
- The 2011 legislature created the **Strategic Investment and Improvements fund** to receive all revenues previously deposited into the Lands and Minerals Trust fund, as well a portion of oil and gas taxes. A \$520.0 million transfer from the Strategic Investment and Improvements fund to the general fund is authorized for the 2013-15 biennium.
- The **Property Tax Relief fund** was created by the 2009 legislature to set aside funding for the continuation of the property tax relief program. During the 2011-13 biennium, oil tax revenue of \$341.8 million was deposited into the Property Tax Relief fund and that amount will be transferred to the general fund during the 2013-15 biennium.

Based on the May 2013 legislative revenue forecast, the July 1, 2013, general fund balance was projected to be \$1.473 billion. However, actual revenues through May 31, 2013, have been higher than projected in the legislative forecast. As a result, the general fund will begin the 2013-15 biennium with a higher balance than initially thought. The June 30, 2013, general fund balance is currently estimated to be \$1.665 billion, \$192.1 million higher than estimated at the close of the 2013 legislative session. The legislative budget assumes a June 30, 2015

ending balance of \$87.0 million. Current estimates, adjusted to reflect additional revenues received during the 2011-13 biennium, provide for a June 30, 2015 ending balance of \$279.1 million.

Other Funds

Unlike agency budget requests and the executive budget, the legislative appropriation does not distinguish between state special funds and federal funds – both are included in the category of “other” funds appropriated to agencies. However, OMB requires agencies to identify anticipated special and federal fund components of their other funds appropriations. Although these amounts are subject to change as the biennium progresses, as of the date of this publication, agencies have indicated that the \$6.881 billion other funds appropriation includes the following:

Federal funds	\$ 3.305 billion
Special funds	<u>3.576</u> billion
Total other funds	\$ 6.881 billion

Federal funds represent 24.0 percent of the legislative budget. Agencies receiving significant federal funds include the Department of Transportation, Department of Human Services, Department of Public Instruction, Job Service North Dakota, and the Agricultural Research Centers throughout the state.

Congress sets the amount of federal funds received by states in annual appropriation sessions. The amount indicated above is the total of 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 26.0 percent of the legislative budget. Special funds are best described as dedicated funds usually earmarked for specific purposes. One example is the state gas tax, earmarked for Department of Transportation functions.

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

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

Economic Outlook

Moody’s Analytics, the state’s economic forecasting consultant, predicts that the “North Dakota economy will outperform the nation’s for the next several years thanks to its booming energy industry. High prices and new technologies will support oil production, accompanied by growth in auxiliary industries throughout the state.” (Précis U.S. State, February 2013) In recent years, North Dakota has led the nation in personal income growth and employment growth, and has enjoyed the nation’s lowest unemployment rate. Moody’s predicts total employment in North Dakota will continue to grow at an annual rate of 2.7 to 3.3 percent during the 2013-15 biennium, compared to average growth of 1.4 to 2.7 percent nationally. During that time, North Dakota’s unemployment rate is projected to remain at historically low levels between 2.4 and 3.1 percent, compared to an estimated 6.2 to 7.7 percent nationally. Personal income is expected to grow between 7.4

and 8.6 percent per year in North Dakota compared to growth of 1.7 to 4.8 percent nationally.

Moody’s uses its economic models and expertise to forecast changes in the state’s tax bases which, when used in conjunction with the appropriate tax rates, are the basis of the state’s revenue forecast. The Moody’s forecast assumes the following:

- Taxable sales and purchases will grow by 11.5 percent in fiscal year 2014 and 10.1 percent in fiscal year 2015.
- Motor vehicle taxable sales will grow by 13.8 percent in fiscal year 2014 and 8.7 percent in fiscal year 2015.
- Nonfarm adjusted gross income will grow by 11.3 percent in calendar year 2013 and by 8.5 percent in calendar year 2014.
- Farm adjusted gross income will grow by 6.8 percent in calendar year 2013 and 5.7 percent in calendar year 2014.
- Corporate taxable income will grow by 8.9 percent in calendar year 2013 and 5.3 percent in calendar year 2014.

Oil and Gas Taxes

2011-13 Biennium

High oil prices and the success of drilling operations in western North Dakota continue to increase exploration activities and production. The result has been significant growth in oil and gas extraction and production tax collections. The May 2013 legislative forecast assumes fiscal year 2013 prices will average \$70 per barrel; the actual average price during fiscal year 2013 has been around \$85 per barrel. However, actual production is slightly lower than predicted. The forecast assumes average monthly production increasing from 680,000 barrels per day in July 2012 to 830,000 barrels per day by June 2013, averaging approximately 794,000 barrels per day for the year. Actual production has increased at a slightly slower pace

and through April 2013 averaged 745,000 barrels per day for the first ten months of the fiscal year.

Based on actual collections through May 31, 2013, oil extraction and gross production tax allocations are projected to total \$3.998 billion during the 2011-13 biennium, allocated as shown on the table at the end of this section.

2013-15 Biennium

Oil prices are anticipated to remain stable during the 2013-15 biennium, averaging \$75 per barrel during fiscal year 2014 and \$80 per barrel during fiscal year 2015. Production is anticipated to continue gradually increasing, from 830,000 barrels per day in July 2013, to 850,000 barrels per day by June 30, 2015.

Oil and gas tax collections are anticipated to total \$5.280 billion during the 2013-15 biennium. The 2013 legislature enacted several changes affecting the allocation of oil and gas taxes:

- **HB 1358** – This bill changed the allocation of gross production taxes between the state and political subdivisions to provide that political subdivisions receive 100 percent of the first \$5.0 million in annual revenue and 25 percent of all revenue in excess of \$5.0 million. The bill reduces state revenues by \$300.6 million and increases distributions to political subdivisions by that amount. Numerous changes were enacted affecting how moneys allocated to counties are further allocated to the various political subdivisions within the counties. The bill also provides that for the 2013-15 biennium, \$240.0 million will be allocated to the oil and gas impact grant fund for awarding needs-based grants to political subdivisions negatively impacted by oil and gas development.
- **HB 1278** – This bill establishes the North Dakota Outdoor Heritage fund. The bill provides that 4.0 percent of first 20.0 percent of oil and gas gross production taxes be allocated to the fund, up to \$15.0 million per year. Based on the legislative forecast,

allocations during the 2013-15 biennium are estimated to be \$17.6 million.

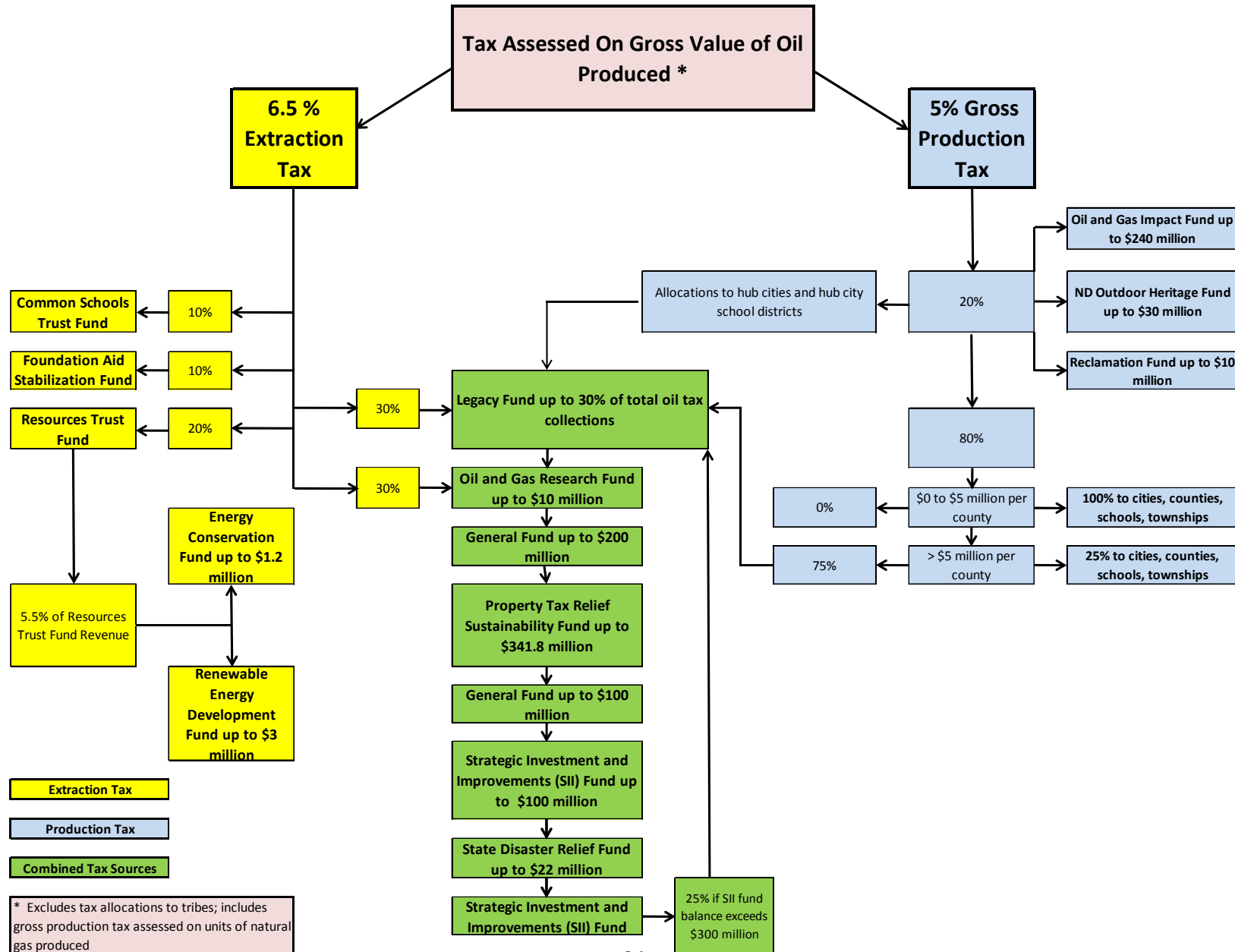
- **HB 1333** – This bill establishes the Abandoned Oil and Gas Well Plugging and Site Reclamation fund. The bill provides that 4.0 percent of the first 20.0 percent of oil and gas gross production taxes be allocated to the fund, up to \$5.0 million per year. The allocation is only in effect if the balance in the fund is at or below \$75.0 million.
- **HB 1198** – This bill changes tax reduction and exemption provisions relating to wells qualifying for stripper well status, repeals the existing 60-month oil extraction tax holiday for wells drilled on Indian nontrust lands, and changes the oil and gas revenue sharing agreement with the Three Affiliated Tribes. The bill is expected to increase oil and gas tax revenues to the state and tribes by an estimated \$167.3 million.
- **SB 2014** – This bill increases allocations to the Oil and Gas Research fund from \$4.0 million per biennium to \$10.0 million per biennium. This bill also provides for the redistribution of moneys in the Resources Trust Fund – 5.0 percent to the Renewable Energy Development fund up to \$3.0 million per biennium, and .50 percent to the Energy Conservation Grant fund up to \$1.2 million per biennium.

The table on the next page shows estimated oil tax allocations by fund for the 2011-13 and 2013-15 bienniums. The flow chart on the page following the table depicts the allocation process enacted by the 2013 legislature for the 2013-15 biennium.

2011-13 and 2013-15 Estimated Oil Tax Allocations

	<u>2011-13</u>	<u>2013-15</u>
Oil and Gas Impact Grant Fund	\$100,000,000	\$240,000,000
Oil and Gas Research Fund	4,000,000	10,000,000
Counties and Cities	261,990,137	585,518,326
Tribal Allocations	186,679,250	272,400,000
ND Outdoor Heritage Fund		16,932,128
Legacy Fund	1,244,129,936	1,670,747,382
Foundation Aid Stabilization Fund	193,888,482	282,106,666
Common Schools Trust Fund	193,888,482	282,106,666
Resources Trust Fund	387,776,964	560,013,332
Renewable Energy Development Fund		3,000,000
Energy Conservation Fund		1,200,000
General Fund	300,000,000	300,000,000
Property Tax Relief Sustainability Fund	341,790,000	341,790,000
State Disaster Fund	22,000,000	22,000,000
Well Plugging and Site Reclamation Fund		10,000,000
Strategic Investment & Improvements Fund	<u>761,421,220</u>	<u>681,808,250</u>
Total Oil and Gas Taxes	\$3,997,564,471	\$5,279,622,750

OIL EXTRACTION AND PRODUCTION TAX ALLOCATIONS - 2013-15 BIENNIUM



2013-15 Agency Fund Matrix

Agency	General Fund	Major Special Funds ¹¹						Other Special Funds ¹²						Non-Major Special Funds	Federal Funds	
		ITD	DPI	Energy Impact Grant	DHS	Water Comm	Highway	Bonding	Community Health Trust	Disaster Relief	Fire and Tornado	Health Care Trust	Strategic Invest & Improve			Tobacco Prevent & Ctrl Trust
General Government																
Executive Branch																
101 Office of the Governor	X															
108 Office of the Secretary of State	X															X
110 Office of Management and Budget	X															X
110 Office of Management and Budget Transfers	X															X
112 Information Technology Department (ITD)	X	X														X
117 Office of the State Auditor	X															X
120 Office of the State Treasurer	X															X
125 Office of the Attorney General	X											X				X
127 Office of the State Tax Commissioner	X															X
140 Office of Administrative Hearings																X
188 Comm on Legal Counsel for Indigents	X															X
190 Retirement and Investment Office																X
192 Public Employees Retirement System																X
Legislative and Judicial Branches																
150 Legislative Assembly	X															X
160 Legislative Council	X															X
180 Judicial Branch	X															X
Education																
Elementary, Secondary, and Other Education																
201 Department of Public Instruction (DPI)	X		X													X
226 Trust Lands				X								X				X
250 State Library	X															X
252 School for the Deaf	X															X
253 ND Vision Services/School for the Blind	X															X
270 Dept. of Career & Technical Education	X															X
Higher Education																
215 North Dakota University System Office	X															X
227 Bismarck State College	X															X
228 Lake Region State College	X															X
229 Williston State College	X															X
230 University of North Dakota	X															X
232 UND Medical Center	X															X
235 North Dakota State University	X															X
238 ND State College of Science	X															X
239 Dickinson State University	X															X
240 Mayville State University	X															X
241 Minot State University	X															X
242 Valley City State University	X															X
243 Dakota College at Bottineau	X															X
244 North Dakota Forest Service	X															X
Health and Human Services																
301 ND Department of Health	X								X			X				X
305 Tobacco Prevention and Control Committee													X			X
313 Veterans Home	X															X
316 Indian Affairs Commission	X															X
321 Department of Veterans Affairs	X															X
325 Department of Human Services (DHS)	X				X							X	X			X
360 Protection and Advocacy Project	X															X
380 Job Service North Dakota	X															X

2013-15 Agency Fund Matrix

Agency	General Fund	Major Special Funds ¹¹						Other Special Funds ¹²						Non-Major Special Funds	Federal Funds		
		ITD	DPI	Energy Impact Grant	DHS	Water Comm	Highway	Bonding	Community Health Trust	Disaster Relief	Fire and Tornado	Health Care Trust	Strategic Invest & Improve			Tobacco Prevent & Ctrl Trust	
Regulatory																	
401 Office of the Insurance Commissioner							X				X				X	X	
405 Industrial Commission	X														X	X	
406 Office of the Labor Commissioner	X														X	X	
408 Public Service Commission	X														X	X	
412 Aeronautics Commission	X														X	X	
413 Dept. of Financial Institutions															X		
414 Securities Department	X														X		
471 Bank of North Dakota												X			X	X	
473 North Dakota Housing Finance Agency	X														X	X	
475 North Dakota Mill and Elevator															X		
485 Workforce Safety and Insurance															X		
Public Safety																	
504 Highway Patrol	X														X	X	
530 Department of Corrections & Rehab	X														X	X	
540 Adjutant General	X									X					X	X	
Agriculture, Economic Development, and Agriculture and Economic Development																	
601 Dept. of Commerce	X											X			X	X	
602 North Dakota Department of Agriculture	X														X	X	
616 State Seed Department															X		
627 Upper Great Plains Transportation Institute	X														X	X	
628 Branch Research Centers	X														X		
630 NDSU Extension Service	X														X	X	
638 Northern Crops Institute	X														X		
640 NDSU Main Research Center	X														X	X	
649 Agronomy Seed Farm															X		
665 North Dakota State Fair	X																
670 Racing Commission	X																
Natural Resources																	
701 State Historical Society	X																X
709 Council on the Arts	X														X		X
720 Game and Fish Department															X		X
750 Department of Parks and Recreation	X														X		X
770 State Water Commission															X		X
Transportation																	
801 Department of Transportation	X							X							X		X

¹¹ Major Special Funds are those state special funds which include appropriated expenditures of \$100.0 million or more per biennium.

¹² Other Special Funds do not meet the definition of Major Special Funds but are of particular interest to policymakers and other constituents.

**Consolidated Funds Statement - All Appropriated Funds
2011-13 Biennium**

	Major Special Funds\1							Non-Major Special Funds\3	Federal Funds\4	Combined Total
	General Fund\2	ITD Service\3	Public Instruction\3	Energy Impact\3	Human Services\3	Water Commission\3	Highway\3			
Revenues										
Sales and excise taxes	\$2,418,963,521									\$2,418,963,521
Income taxes	1,263,434,784									1,263,434,784
Oil and gas taxes	300,000,000			\$100,000,000						400,000,000
Charges for services/permits/licenses	71,934,254	\$135,750,000			\$85,364,364		\$56,800,000			349,848,618
Insurance premium taxes	78,642,395									78,642,395
Investment and interest income	14,166,716		\$92,514,000				1,400,000			108,080,716
Fines and forfeitures			9,124,000							9,124,000
Transfers from general fund							370,600,000			370,600,000
Transfers from special funds	621,751,491		5,000,000			\$275,891,000	321,200,000			1,223,842,491
Reimbursement for political subdivisions							81,000,000			81,000,000
Loan proceeds							41,500,000			41,500,000
Sale of materials							4,100,000			4,100,000
Miscellaneous	164,863,256		1,144,713			10,288,000	30,400,000			206,695,969
Non-major special fund revenue								\$1,002,028,039		1,002,028,039
Federal funds									\$4,276,927,730	4,276,927,730
Total revenues	\$4,933,756,417	\$135,750,000	\$107,782,713	\$100,000,000	\$85,364,364	\$286,179,000	\$907,000,000	\$1,002,028,039	\$4,276,927,730	\$11,834,788,263
Expenditures										
General government	\$659,994,764	\$136,477,651						\$50,790,206	\$44,797,377	\$892,059,998
Elementary and secondary education	1,287,742,317		\$107,782,713	\$100,000,000				9,371,062	348,348,392	1,853,244,484
Higher education	655,785,794							220,237,527	5,054,484	881,077,805
Health and human services	977,697,676				\$102,204,759			74,310,982	1,814,079,742	2,968,293,159
Regulatory	61,499,673							242,182,502	23,352,963	327,035,138
Public safety	223,362,748							129,970,491	558,337,797	911,671,036
Agriculture and economic development	148,903,572							97,917,612	347,013,613	593,834,797
Natural resources	46,017,248						\$286,151,104	71,342,772	96,515,378	500,026,502
Transportation	5,850,000							94,000,541	1,039,427,983	2,160,977,445
Total expenditures	\$4,066,853,792	\$136,477,651	\$107,782,713	\$100,000,000	\$102,204,759	\$286,151,104	\$1,021,698,921	\$990,123,695	\$4,276,927,729	\$11,088,220,364

Notes:

\1 Major special funds are those state special funds which include appropriated expenditures of \$100.0 million or more per biennium.

\2 General fund revenues are based on the May 2013 legislative revenue forecast. General fund expenditures are based on original legislative appropriations authorized by the 2011 legislature.

\3 Revenue and expenditure estimates are amounts included in each agency's budget request for the 2013-15 biennium.

\4 Federal funds revenue is not included in budget documents but for the purposes of this schedule is assumed to be equal to estimated expenditures. Estimated expenditures are equal to adjusted appropriation authority as of May 2013.

**Consolidated Funds Statement - All Appropriated Funds
2013-15 Biennium**

	Major Special Funds\1							Non-Major Special Funds\3	Federal Funds\4	Combined Total
	General Fund\2	ITD Service\3	Public Instruction\3	Energy Impact\3	Human Services\3	Water Commission\3	Highway\3			
Revenues										
Sales and excise taxes	\$2,796,071,000									\$2,796,071,000
Income taxes	1,175,394,000									1,175,394,000
Oil and gas taxes	300,000,000			\$240,000,000						540,000,000
Charges for services/permits/licenses	74,394,098	\$128,557,170			\$92,616,874		\$55,700,000			351,268,142
Insurance premium taxes	73,352,976									73,352,976
Investment and interest income	32,666,716		\$130,326,000				2,500,000			165,492,716
Fines and forfeitures			10,000,000							10,000,000
Transfers from general fund							541,600,000			541,600,000
Transfers from special funds	881,384,560					\$750,575,921	363,358,934			1,995,319,415
Reimbursement for political subdivisions							68,200,000			68,200,000
Sale of materials							7,400,000			7,400,000
Miscellaneous	143,569,696		1,144,713			25,529,428	34,000,000			204,243,837
Non-major special fund revenue								\$1,078,913,953		1,078,913,953
Federal funds									\$3,305,450,952	3,305,450,952
Total revenues	\$5,476,833,046	\$128,557,170	\$141,470,713	\$240,000,000	\$92,616,874	\$776,105,349	\$1,072,758,934	\$1,078,913,953	\$3,305,450,952	\$12,312,706,991
Expenditures										
General government	\$945,308,413	\$133,258,304						\$78,245,590	\$26,502,243	\$1,183,314,550
Elementary and secondary education	1,777,375,701		\$141,470,713	\$240,000,000				11,118,070	308,021,828	2,477,986,312
Higher education	902,629,915							173,685,773	1,295,168	1,077,610,856
Health and human services	1,232,145,048				\$112,969,435			71,976,693	1,846,235,539	3,263,326,715
Regulatory	55,511,072							318,275,142	44,218,396	418,004,610
Public safety	259,674,260							55,319,280	244,052,781	559,046,321
Agriculture and economic development	188,904,694							141,936,067	68,972,444	399,813,205
Natural resources	37,018,251						\$776,135,522	92,541,180	74,665,354	980,360,307
Transportation	1,464,020,000							\$1,118,464,479	110,827,756	3,384,799,434
Total expenditures	\$6,862,587,354	\$133,258,304	\$141,470,713	\$240,000,000	\$112,969,435	\$776,135,522	\$1,118,464,479	\$1,053,925,551	\$3,305,450,952	\$13,744,262,310

Notes:

- \1 Major special funds are those state special funds which include appropriated expenditures of \$100.0 million or more per biennium.
 \2 General fund revenues are based on the May 2013 legislative revenue forecast. General fund expenditures are based on original legislative appropriations authorized by the 2013 legislature.
 \3 Revenue and expenditure estimates are amounts included in each agency's budget request for the 2013-15 biennium, adjusted for legislative changes.
 \4 Federal funds revenue is not included in budget documents but for the purposes of this schedule is assumed to be equal to estimated expenditures. Estimated expenditures are equal to appropriation authority.

**General Fund
Status Statement**

	2009-11 Actual ^{\1}	2013 Legislative Projection		Current Estimate	
		2011-13 Projected	2013-15 Appropriated	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$361,893,515	\$996,832,711 ^{\2}	\$1,472,798,236	\$996,832,711 ^{\2}	\$1,664,852,802
Revenues:					
Total revenues	\$3,242,759,200	\$4,933,756,417	\$5,476,833,046 ^{\3}	\$5,125,810,983	\$5,476,833,046
Expenditures:					
One time appropriations	(\$283,984,727)	(\$702,895,435)	(\$2,426,328,201)	(\$702,895,435)	(\$2,433,567,701)
Ongoing appropriations	(2,970,380,754)	(3,533,791,025)	(4,436,259,153)	(3,533,791,025)	(4,429,019,653)
Emergency authority used prior to July 1	8,715,361	519,254		519,254	
Supplemental appropriations	(37,230,168)	(60,314,701)		(60,314,701)	
Unspent authority/adjustments	46,753,449	19,751,600		19,751,600	
Total expenditures	(\$3,236,126,839)	(\$4,276,730,307)	(\$6,862,587,354)	(\$4,276,730,307)	(\$6,862,587,354)
Ending balance before transfers	\$368,525,876	\$1,653,858,821	\$87,043,928	\$1,845,913,387	\$279,098,494
Transfers and adjustments:					
Transfer from permanent oil tax fund	\$689,935,590				
Transfer to budget stabilization fund	(61,414,562)	(\$181,060,585) ^{\4}		(\$181,060,585) ^{\4}	
Adjustments and cash certifications	(214,193)				
Total transfers and adjustments	\$628,306,835	(\$181,060,585)	\$0	(\$181,060,585)	\$0
Ending Balance	\$996,832,711	\$1,472,798,236	\$87,043,928	\$1,664,852,802	\$279,098,494

\1 Final revenues and expenditures per state accounting system reports dated June 30, 2011.

\2 Actual July 1, 2011 balance.

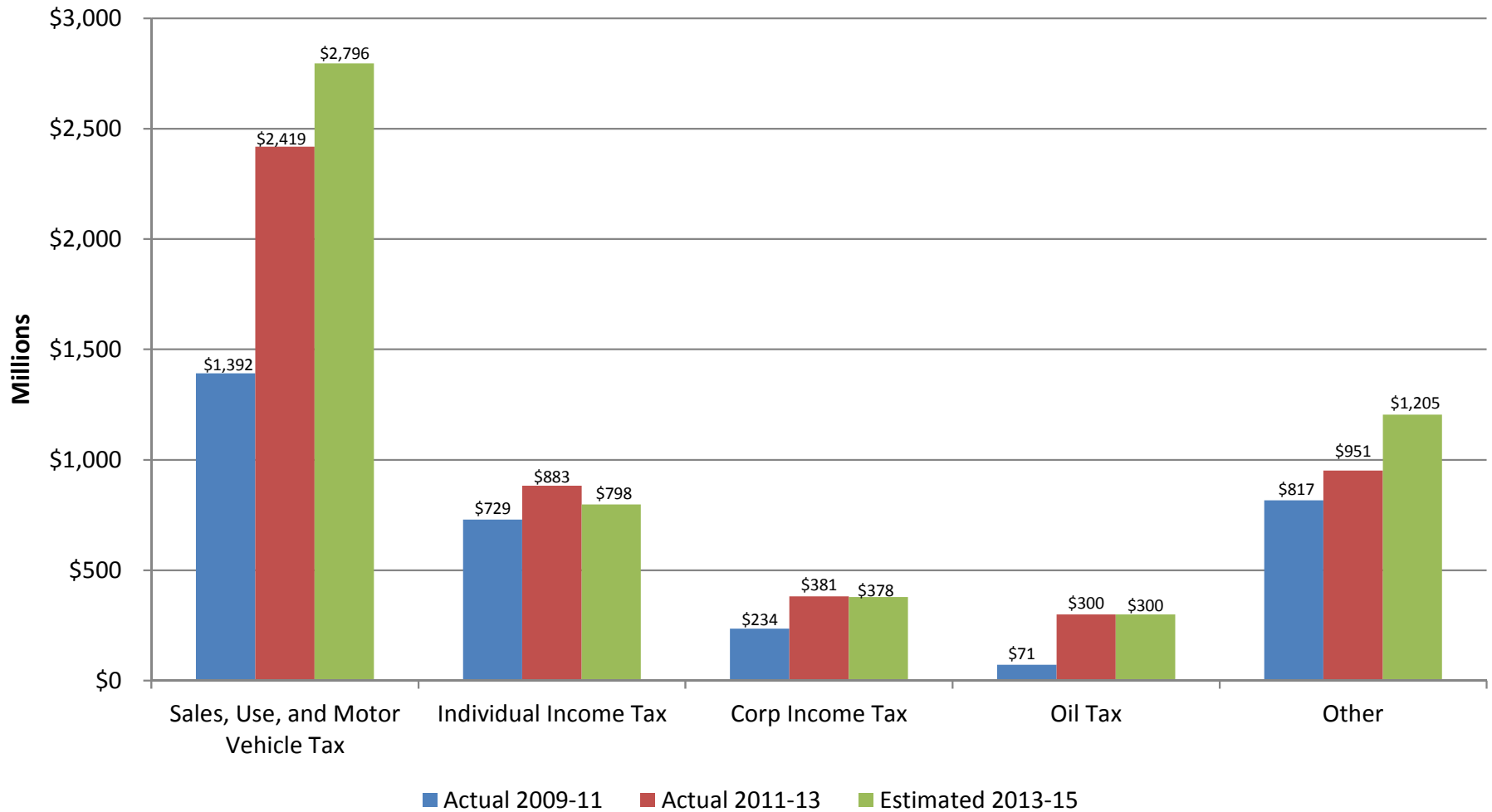
\3 Based on actual revenues through May 31, 2013, and estimated revenues for the remaining month of the biennium using the 2013 legislative revenue forecast.

\4 Transfer from the general fund based on appropriations for the 2013-15 biennium. NDCC Section 54-27.2-01 requires a transfer sufficient to bring the balance of the fund to 9.5 percent of appropriations. However, section 5 of 2013 HB1015 provides that the general fund appropriation amount used to calculate the required transfer to the fund does not include emergency general fund appropriations in 2013 SB2176. The emergency appropriations in SB2176 total \$720.0 million and would have resulted in an additional transfer of \$68.4 million to the Budget Stabilization fund.

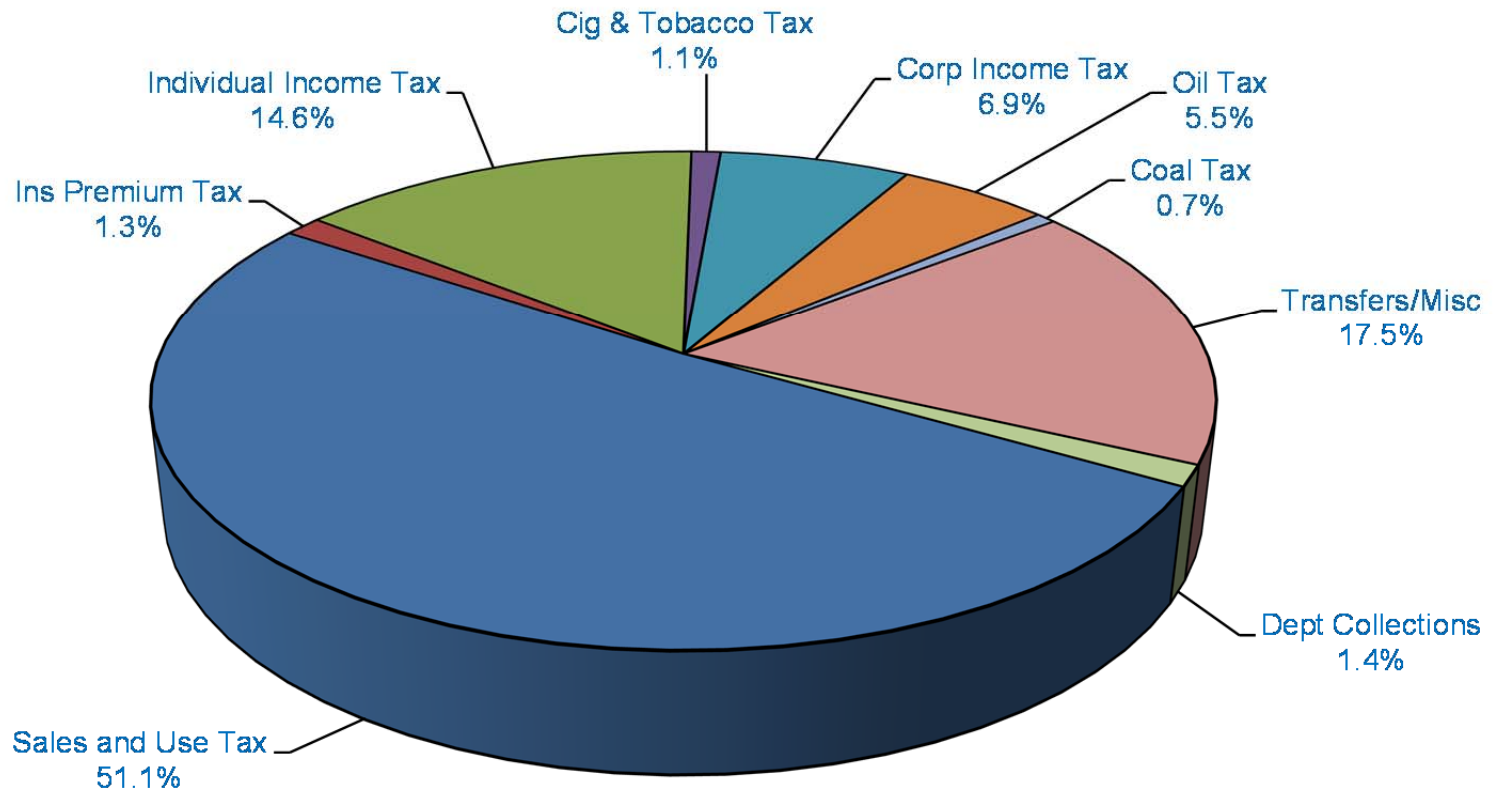
**STATE OF NORTH DAKOTA
COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE
2005-07 THROUGH 2013-15**

REVENUE SOURCE	Actual 2005-07	Actual 2007-09	Actual 2009-11	Revised Forecast 2011-13	Legislative Forecast 2013-15
Tax Revenue:					
Sales and use taxes	\$841,930,866	\$1,046,485,684	\$1,267,211,331	\$2,159,998,016	\$2,472,947,500
Motor vehicle excise tax	125,722,268	130,151,534	124,425,401	258,965,505	323,123,500
Individual income tax	587,659,377	681,703,888	729,255,895	882,917,013	797,654,355
Corporate income tax	232,294,310	239,695,937	234,364,296	380,517,771	377,739,645
Financial institutions tax	9,702,362	10,486,495	6,748,753	7,283,160	
Oil and gas production tax	45,970,447	39,309,315	32,718,333	163,458,104	133,834,000
Oil extraction tax	25,029,553	31,690,685	38,281,667	136,541,896	166,166,000
Cigarette and tobacco tax	44,683,370	45,230,771	46,253,470	54,485,013	57,953,000
Coal conversion tax	49,217,864	49,438,952	39,064,299	39,425,126	39,300,000
Insurance premium tax	52,873,010	64,388,601	63,150,948	78,642,395	73,352,976
Wholesale liquor tax	12,787,869	14,076,919	15,163,855	17,578,477	19,142,000
Gaming tax	17,986,019	20,042,392	16,189,991	11,309,769	8,174,696
Departmental collections	53,781,397	62,143,185	68,577,582	71,934,254	74,394,098
Interest income	36,507,217	49,506,190	43,684,825	14,166,716	32,666,716
Mineral leasing fees	13,960,279	25,306,589	17,521,635	34,781,711	19,000,000
Total Tax Revenue	<u>\$2,150,106,208</u>	<u>\$2,509,657,137</u>	<u>\$2,742,612,281</u>	<u>\$4,312,004,926</u>	<u>\$4,595,448,486</u>
Transfers:					
Bank of North Dakota Profits Transfer	\$60,000,000	\$60,000,000			
Student Loan Trust Fund Interest Transfer	9,000,000	3,100,000			
State Mill Profits Transfer	5,000,000		\$13,902,268	\$7,645,978	\$6,817,200
Gas Tax Administration Transfer	1,400,000	1,274,056	1,288,000	1,485,000	1,777,360
Lottery	12,600,000	11,055,000	10,400,000	12,500,000	11,000,000
Other Transfers*	79,310,132	130,177,187	474,556,650	600,120,513	861,790,000
Total Transfers	<u>\$167,310,132</u>	<u>\$205,606,243</u>	<u>\$500,146,918</u>	<u>\$621,751,491</u>	<u>\$881,384,560</u>
TOTAL REVENUE	<u>\$2,317,416,340</u>	<u>\$2,715,263,380</u>	<u>\$3,242,759,199</u>	<u>\$4,933,756,417</u>	<u>\$5,476,833,046</u>
* OTHER TRANSFERS INCLUDE:	2005-07	2007-09	2009-11	2011-13	2013-15
Lands & Minerals Trust Fund	\$6,800,000	\$15,000,000	\$35,000,000		
Strategic Investment and Improvements Fund				\$305,000,000	\$520,000,000
Permanent Oil Tax Trust Fund	55,300,000	115,000,000	435,000,000		
Property Tax Relief Fund				295,000,000	341,790,000
Health Care Trust Fund	16,900,000				
Miscellaneous Transfers	310,132	177,187	4,556,650	120,513	
	<u>\$79,310,132</u>	<u>\$130,177,187</u>	<u>\$474,556,650</u>	<u>\$600,120,513</u>	<u>\$861,790,000</u>

Comparison of General Fund Revenue by Major Source 2009-11 Through 2013-15

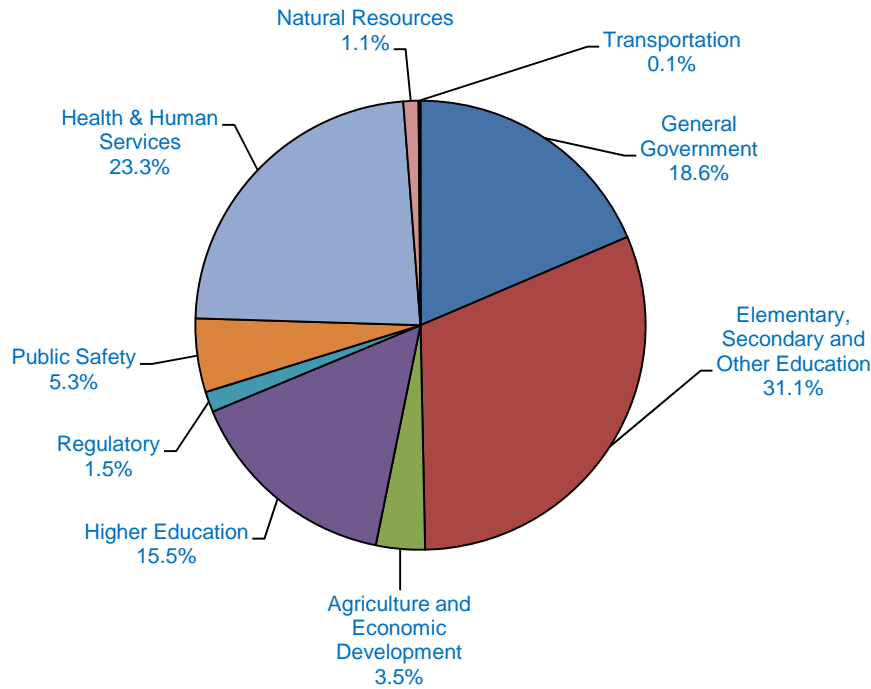


**2013-15
General Fund Revenue by Major Source
\$5.477 Billion**

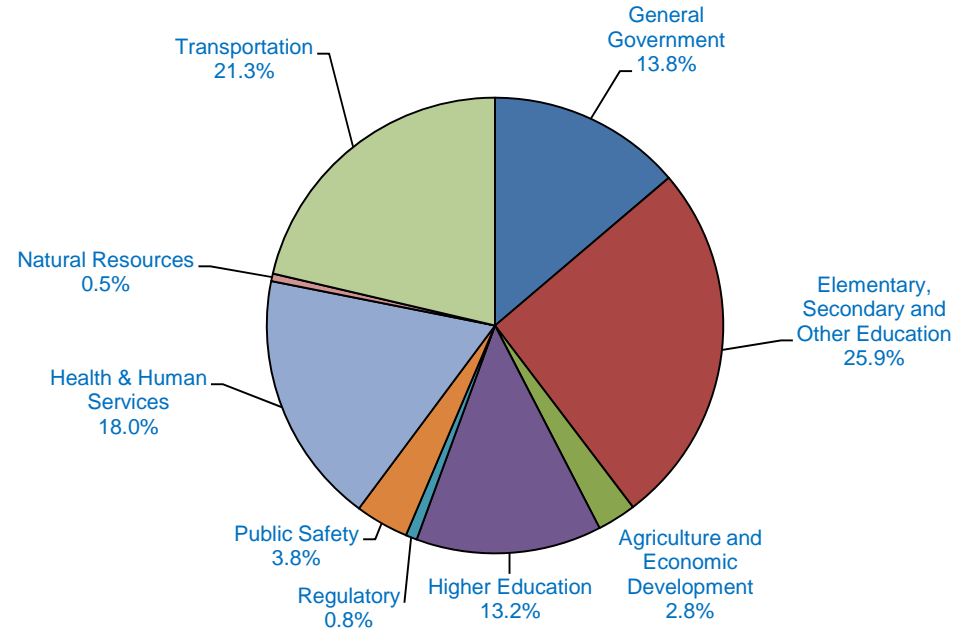


General Fund Budget 2011-13 and 2013-15

**2011-13
Legislative Appropriation
\$4.237 Billion**

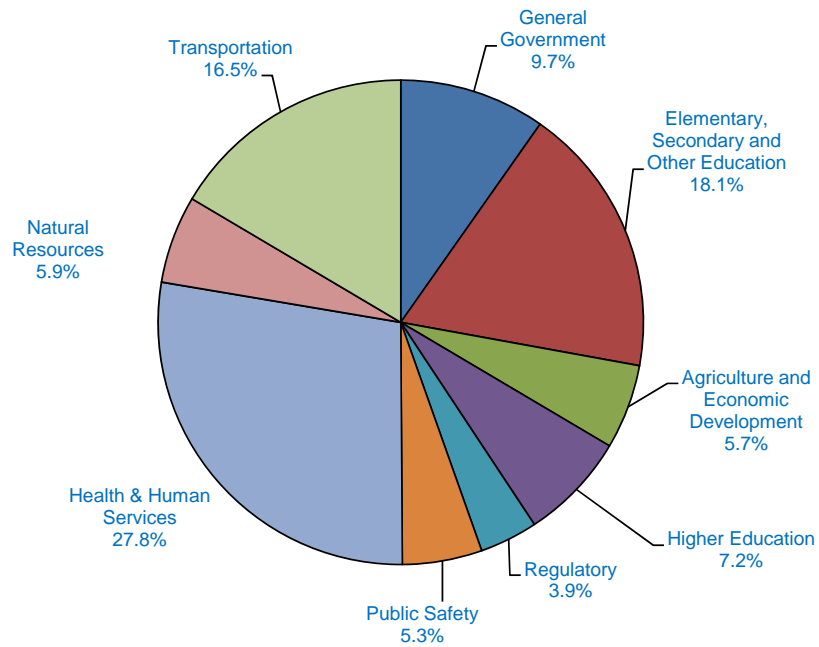


**2013-15
Legislative Appropriation
\$6.863 Billion**

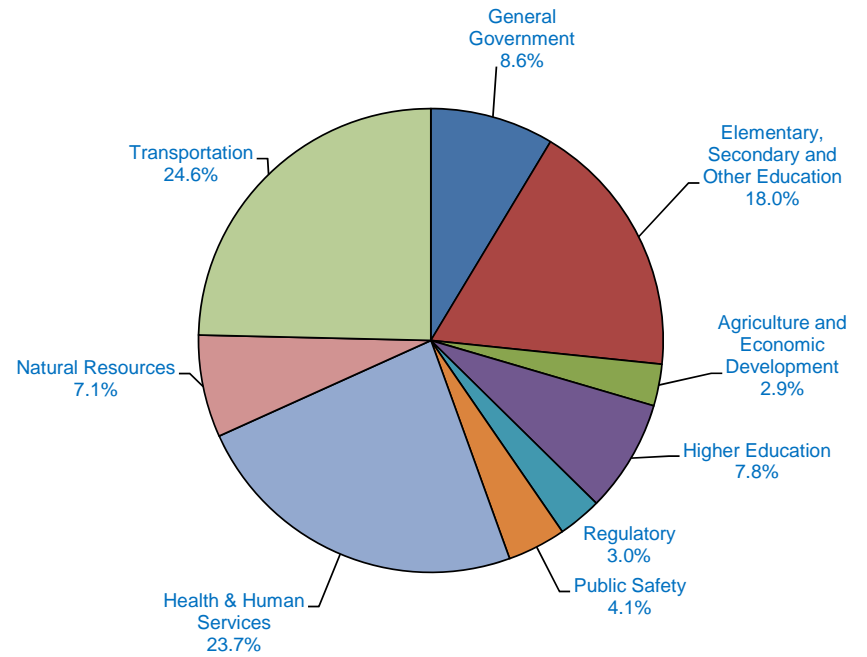


Total Funds Budget 2011-13 and 2013-15

**2011-13
Legislative Appropriation
\$10.649 Billion**



**2013-15
Legislative Appropriations
\$13.744 Billion**



Bonding Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$2,515,053	\$2,802,006 ^{\1}	\$4,040,206
Revenue:			
Premiums	^{\2}	^{\2}	^{\2}
Investment revenue	360,789	300,000 ^{\3}	300,000 ^{\3}
Claims restitution	49,415	1,074,500 ^{\5}	50,000
Other revenue	6,172	6,200	7,000
Total Revenues	\$416,376	\$1,380,700	\$357,000
Expenditures:			
Claims liabilities/payments/write-offs	(\$71,108) ^{\4}	(\$82,500) ^{\4}	(\$150,000) ^{\4}
Claims related expenses	(14,124)	(10,000)	(20,000)
Investment expense	(9,144)	(9,500)	(10,000)
Administration	(35,047)	(40,500)	(45,199)
Total Expenditures	(\$129,423)	(\$142,500)	(\$225,199)
Ending Balance	\$2,802,006 ^{\1}	\$4,040,206	\$4,172,007

^{\1} From June 30, 2011, 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 Insurance Department projections.

^{\4} Claims liabilities reflect recorded liabilities for filed claims. Actual liability is determined after a review and audit of the loss. Adjustments are made to reflect claim liabilities written off and no longer carried as a potential liability.

^{\5} The balance owed to the fund on judgments was entered in PeopleSoft as accounts receivable during fiscal year 2012, resulting in the recognition of fund revenue in the state accounting system. The method to compute bad debt expense was also changed resulting in a larger amount being shown as due to the fund.

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

	2009-11 Actual ¹¹	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$324,936,548	\$386,351,110 ¹²	\$583,545,799
Revenue:			
Retention of earnings to increase balance	\$0	\$16,134,104 ¹³	\$0
Transfer from general fund	61,414,562	181,060,585 ¹⁴	0
Total Revenue	61,414,562	197,194,689	0
Transfers:			
Transfers to general fund	\$0	\$0 ¹⁵	\$0 ¹⁵
Ending Balance	\$386,351,110	\$583,545,799	\$583,545,799

¹¹ Final revenues and expenditures per state accounting system reports dated June 30, 2011.

¹² Actual July 1, 2011 balance.

¹³ The 2011 legislature, during the 2011 special session, increased general fund appropriations for the 2011-13 biennium, resulting in a \$16.1 million increase in the maximum balance of the Budget Stabilization Fund. As a result, interest and investment earnings of the fund which would otherwise be transferred to the general fund were retained in the fund up to the limit of the new cap.

¹⁴ Transfer from the general fund based on appropriations for the 2013-15 biennium, the provisions of NDCC Section 54-27.2-01 which requires a transfer sufficient to bring the balance of the fund to 9.5 percent of appropriations, and section 5 of 2013 HB1015 which provides that the general fund appropriation amount used to calculate the required transfer to the fund not include emergency general fund appropriations included in 2013 SB2176. The emergency appropriations in SB2176 total \$720.0 million and would have resulted in an additional transfer of \$68.4 million to the Budget Stabilization Fund.

¹⁵ No transfers from the Budget Stabilization Fund to the general fund are anticipated during the 2011-13 or 2013-15 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 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 9.5 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

	2009-11 Actual ¹	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$1,299,379	\$0 ¹³	\$47,258
Revenue:			
Transfers from the tobacco settlement trust	\$4,084,269	\$4,024,012	\$4,000,000 ¹⁶
Contingency transfer from general fund	407,956 ¹²		
Total Revenues	\$4,492,225	\$4,024,012	\$4,000,000
Expenditures:			
Dental loan program	(\$468,448)	(\$200,000) ¹⁴	(\$340,000)
Dental new practice grant	(10,000)		(25,000)
Medical loan repayment program	(105,000)		
Veterinarian loan repayment program	(230,776)	(255,000) ¹⁴	
Colorectal cancer screening	(335,985)		
EMS training grants	(300,000)		
Tobacco coordinator and operating expenses	(60,744)		
Tobacco quit line	(2,342,593)		
Tobacco prevention and control	(683,967)	(3,219,210) ^{14,5}	(3,220,354) ¹⁵
Women's way program	(304,332)	(302,544) ¹⁴	(400,500)
Heart disease and stroke	(433,792)		
DHS breast & cervical cancer	(515,967)		
Total Expenditures	(\$5,791,604)	(\$3,976,754) ¹⁶	(\$3,985,854)
Ending Balance	\$0	\$47,258	\$61,404

¹ Final revenue and expenditures per state accounting system reports dated June 30, 2011.

² 2009 SB2004 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.

³ Actual July 1, 2011 balance.

⁴ Estimated expenditures for the 2011-13 biennium projected by the Department of Health.

⁵ Approved by voters in 2008, Measure #3 provides that 80.0 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 2013-15 equals \$3.2 million.

⁶ Estimated revenues based on average of fiscal years 2011, 2012 and 2013 actual amounts.

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 (NDCC 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, within 30 days of deposit, in the funds as follows:

10.0 percent to the Community Health Trust Fund

45.0 percent to the Common Schools Trust Fund

45.0 percent 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 payments to the state. Strategic contribution payments are estimated by OMB at \$14.1 million per year through 2017. After 2017, no additional strategic contribution 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.

Disaster Relief Fund
Status Statement

	2009-11 Actual ¹¹	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$37,623,216	\$34,675,167 ¹²	\$81,604,731
Revenue:			
Transfer from permanent oil tax trust fund	\$22,000,000 ¹³		
Transfer from the general fund		\$48,700,000 ¹⁴	
Transfers from oil and gas taxes		22,000,000 ¹⁵	\$22,000,000 ¹⁵
Interest earnings	199,420	60,592	92,000
Miscellaneous reimbursements	748,320	2,262,940	1,060,000
Total Revenues	\$22,947,740	\$73,023,532	\$23,152,000
Expenditures:			
State match for disasters prior to 2009	(\$513,321)	(\$826,535)	
2009 Flood disaster	(5,739,762)	(2,341,988)	(\$4,465,634)
January 2010 winter storm	(1,506,693)	(39,956)	(\$279,535)
2010 Flood	(3,390,192)	(132,890)	(\$1,731,268)
April 2010 ice storm	(2,854,089)	(426,032)	(\$467,166)
2011 Blizzard	(16,937)		
2011 Snow Removal Grants	(9,000,000)		
2011 Flood	(2,874,795)	(10,393,503)	(20,315,794)
Housing Rehab and Retention (2011 SB2371)		(3,762,437)	(6,237,563)
Transfer to NDDOT for Road Grade Raising		(6,000,000)	
Volunteer Response Coordination (SB2016)		(315,000)	(85,000)
Volunteer Response Coordination (HB1016)			(400,000)
Road Grade Raising Projects		(7,240)	(4,792,760)
Flood Mitigation in Incorporated Cities		(1,715,887)	(1,484,113)
Disaster Coordination Contract			(1,500,000)
2013 Red River Valley Flood Disaster			(650,188) ¹⁶
2013 Rain Event		(132,500) ¹⁶	(781,875) ¹⁶
Total Expenditures	(\$25,895,789)	(\$26,093,968) ¹⁷	(\$43,190,896)
Ending Balance	\$34,675,167	\$81,604,731	\$61,565,835

¹¹ Final revenues and expenditures per state accounting system reports.

¹² Actual July 1, 2011 balance.

¹³ 2011 SB2369 provided that \$22.0 million be transferred from the Permanent Oil Tax Trust Fund for costs associated with state disasters and flood mitigation efforts.

¹⁴ 2011 SB 2371 provided that \$48.7 million be transferred from the general fund for disaster-related expenses (\$32.7 million), flood-impacted housing assistance grant programs (\$10.0 million), and road grade raising grants through the Department of Transportation (\$6.0 million).

¹⁵ NDCC Section 57-51.1-07.5 provides that from the oil and gas tax revenue designated for deposit in the state general fund, \$22.0 million shall be transferred to the Disaster Relief Fund, if funds become available after making the required transfers to the general fund, Property Tax Relief Sustainability Fund, and Strategic Investment and Improvements Fund.

¹⁶ The Budget Section approved Bank of North Dakota borrowing authority for these disasters on June 18, 2013. During the 2015 Legislative Assembly, the Adjutant General will seek appropriation authority from the Disaster Relief Fund to repay the borrowed funds.

¹⁷ Based on actual expenditures through April 30, 2013 and agency estimated expenditures through June 30, 2013.

Notes:

NDCC Section 37-17.1-27 establishes the Disaster Relief Fund. Money is available pursuant to legislative appropriation to defray expenses of state disasters, including providing funds required to match federal funds for expenses associated with presidential-declared disasters in the state. Expenditures from the fund also require approval by the Emergency Commission and Budget Section. Interest and other fund earnings must be deposited in the fund.

Fire and Tornado Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$21,504,828	\$22,306,709 ^{\1}	\$24,675,209
Revenue:			
Premium revenue	\$9,692,359	\$7,600,000 ^{\2}	\$8,100,000 ^{\2}
Investment revenue	7,337,425	5,000,000	6,000,000
Claims recovery	139,027 ^{\3}	780,000 ^{\3}	200,000
Boiler inspection fee	397,470	728,500	625,000
Anhydrous ammonia inspection revenue	107,989 ^{\4}	0 ^{\4}	0 ^{\4}
Total Revenues	<u>\$17,674,270</u>	<u>\$14,108,500</u>	<u>\$14,925,000</u>
Expenditures:			
Insurance claims	(\$9,253,652)	(\$4,500,000)	(\$9,000,000)
Claims related payments	(5,768,749)	(5,500,000)	(5,700,000)
Administration/investment expenses	(1,302,878)	(1,465,000)	(1,552,929)
Fire Marshal inspection fees	(377,110)	(105,000)	(150,000)
ND Firefighter's Association	(170,000)	(170,000)	(170,000)
Total Expenditures	<u>(\$16,872,389)</u>	<u>(\$11,740,000)</u>	<u>(\$16,572,929)</u>
Ending Balance	\$22,306,709 ^{\1}	\$24,675,209	\$23,027,280

^{\1} From June 30, 2011, Comprehensive Annual Financial Report (CAFR).

^{\2} Assumes premiums will increase by 5.0 percent annually.

^{\3} Claims recovery reflects amounts recovered through re-insurance purchased to cover claims that exceed a specific amount per incident.

^{\4} Based on actual funds available from ND Department of Agriculture Anhydrous Ammonia Storage Facility Inspection Fund.

Notes:

The 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. NDCC Section 26.1-22-14 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

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$65,750,547	\$140,193,764 ^{\2}	\$334,082,246
Revenue:			
Oil extraction tax allocations	74,443,217	193,888,482 ^{\3}	282,106,675 ^{\4}
Transfers:			
Transfer to state school aid program	0	0	0
Ending Balance	\$140,193,764	\$334,082,246	\$616,188,921

\1 Final revenues and expenditures per state accounting system reports, dated June 30, 2011.

\2 Actual July 1, 2011 balance.

\3 Based on actual revenues through May 31, 2013, and estimated revenues for the remaining month of the biennium using the May 2013 legislative revenue forecast.

\4 Revenue estimates based on the May 2013 legislative revenue forecast, which assumes oil prices averaging \$75 to \$80 per barrel and production increasing to 850,000 barrels per day by the end of the 2013-15 biennium.

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 20.0 percent of oil extraction taxes are to be allocated as follows:

50.0 percent to the Common Schools Trust Fund

50.0 percent to the Foundation Aid Stabilization Fund

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

Health Care Trust Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$3,484,946	\$420,036 ^{\1}	\$396,784
Revenue:			
Investment earnings	\$23,429	\$7,633	\$2,334
Principal and interest repayments	1,086,167	1,070,901	1,026,297
Total Revenues	<u>\$1,109,596</u>	<u>\$1,078,534</u>	<u>\$1,028,631</u>
Expenditures:			
Nursing home grants	(\$3,000,000)		
Nursing home & basic care salary increase	(800,000)		
Increase nursing home bed limit	(324,506)		
Grant for Dunseith nursing facility		(\$200,000)	
Grant for McVile hospital		(200,000)	
Bed layaway program - DHS		(546,786)	(\$546,786)
Grant to an assisted living facility that accepts low-income tenants			(425,000)
Nurse aid registry		(155,000)	(167,725)
Quick response unit pilot project - Health Dept.	(50,000)		
Total Expenditures	<u>(\$4,174,506)</u>	<u>(\$1,101,786)</u>	<u>(\$1,139,511)</u>
Ending Balance	\$420,036	\$396,784	\$285,904

\1 Actual July 1, 2011 balance.

Notes:

The Health Care Trust Fund was established by the 1999 legislative assembly to provide grants and loans to nursing facilities. Additional uses of moneys have been approved in subsequent bienniums. Revenue for the fund was originally generated through nursing facilities funding pool payments to government nursing facilities based on the difference between Medicare and Medicaid rates for nursing care. This funding stream was known as the Intergovernmental Transfer Program (IGT). The federal government passed regulations phasing out the IGT program and the final pool payment was made to the state in July 2004. Current revenues to the fund consist of loan repayments and investment earnings.

Highway Tax Distribution Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0 ^{\2}	\$0
Revenue:			
Motor vehicle fuel tax	\$170,458,973	\$190,800,000	\$196,000,000
Special fuel taxes	144,630,373	211,725,762	245,400,000
Motor vehicle registration fees	146,708,244	161,200,000	169,000,000
Total Revenues	<u>\$461,797,590</u>	<u>\$563,725,762</u>	<u>\$610,400,000</u> ^{\3}
Transfers:			
State highway fund allocation	(\$274,083,698)	(\$336,140,000)	(\$363,358,934)
Counties allocation	(98,352,854)	(120,630,000)	(130,400,000)
Cities allocation	(55,902,760)	(68,530,000)	(74,100,000)
Townships allocation	(12,072,202)	(14,800,000)	(16,000,000)
Transit allocation	(6,706,779)	(8,200,000)	(8,900,000)
Highway Patrol	(4,550,725)	(5,025,762)	(6,841,066)
Motorboat safety account	(237,673)	(200,000)	(200,000)
State snowmobile fund	(168,933)	(200,000)	(200,000)
Hwy-Rail Grade Crossing Safety Projects Fund			(500,000)
Administrative assistance to transferees	(5,500,000)	(5,500,000)	(5,500,000)
Ethanol production incentive	(4,221,966)	(4,500,000)	(4,400,000)
Total Transfers	<u>(\$461,797,590)</u>	<u>(\$563,725,762)</u>	<u>(\$610,400,000)</u>
Ending Balance	\$0	\$0	\$0

\1 Final revenues and expenditures per Department of Transportation.

\2 Revenues and expenditures based on actual collections through April 30, 2013, and estimates for the remaining months of the 2011-13 biennium.

\3 Revenue notes:

- Motor fuel tax amounts are net of amounts withheld for the refund reserve and the Motor Fuels Operating Fund. Motor fuel tax amounts include amounts collected for penalties and interest, and license and permit fees (57-43.1-28);

- Special fuel taxes include amounts collected for penalties, and interest, and license and permit fees (57-43.2-19);
- Up to \$250,000/year from special fuels excise taxes collected on sales of diesel fuel to a railroad must be transferred by the State Treasurer to the Highway-Rail Grade Crossing Safety Projects Fund (57-43.2-03);
- Motor vehicle registrations are net of amounts withheld to pay fuel tax refunds for the International Fuel Tax Agreement (IFTA) member states, and the Motor Vehicle Operating Fund. Motor vehicle registrations exclude the fees collected by the Motor Vehicle Division but paid to other funds, such as the Motor Vehicle Excise Tax Fund, the State Aid Distribution Fund, the Motorcycle Safety Education Fund (39-28-05), Abandoned Motor Vehicle Disposal Fund (39-26-12), Veterans Cemetery Maintenance Fund (39-04-10.10), All-Terrain Vehicle Fund (39-29-01.1), the Employment of People with Disabilities Fund (39-01-15), and the Unsatisfied Judgment Fund (39-24-03);
- On July first of each year, the State Treasurer transfers from the Highway Tax Distribution Fund to the motorboat program and safety account an amount equal to \$2.50 multiplied by the number of motorboats licensed with the Game and Fish Department (20.1-02-16.6);
- Annually, an amount equal to the tax collected on 30 gallons of motor vehicle fuel multiplied by the number of snowmobiles registered must be transferred from the Highway Distribution Fund to the State Snowmobile Fund (39-24-05); and
- The State Treasurer transfers annually from the Highway Tax Distribution Fund to the Ethanol Incentive Fund an amount equal to 40.0 percent of all sums collected for the registration of farm vehicles (39-04-39).

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, Highway-Rail Grade Crossing Safety Projects Fund, 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 Transportation Fund to be allocated pursuant to Section 39-04.2-04; and
- 34.5 percent to cities and counties, allocated pursuant to the distribution formula provided in Section 54-27-19.

Legacy Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0 ^{\1}	\$1,258,456,566
Revenue:			
Transfers from oil and gas taxes		\$1,244,129,935 ^{\2}	\$1,670,747,382 ^{\2}
Transfer from SII fund		9,045,631 ^{\3}	16,669,800 ^{\3}
Interest on investment		5,281,000	19,380,000
Total Revenues	\$0	\$1,258,456,566	\$1,706,797,182
Expenditures:			
Legislative appropriations	\$0	\$0	\$0 ^{\4}
Ending Balance	\$0	\$1,258,456,566	\$2,965,253,748

- ^{\1} Actual July 1, 2011 balance. The fund was created pursuant to voter passage of Measure No. 1 on the November 2010 ballot.
- ^{\2} Revenue estimate based on actual collections through May 2013 and the April 2013 legislative revenue forecast for oil price and production for the remaining month of the 2011-13 biennium and all of the 2013-15 biennium. Pursuant to NDCC Section 15-08.1-08, once the unobligated balance in the Strategic Investment and Improvements (SII) Fund reaches \$300.0 million, 25.0 percent of fund revenues must be deposited into the Legacy Fund. Oil tax revenues that would have been deposited in the SII Fund but are instead deposited into the Legacy Fund pursuant to Section 15-08.1-08 are estimated to be \$168.6 million for the 2013-15 biennium.
- ^{\3} The amount shown as the anticipated transfer from the SII fund represents 25.0 percent of SII fund revenues other than oil and gas taxes. During the 2011-13 biennium, the \$300.0 million threshold was reached in February 2013 and SII Fund revenues received from March through June were deposited in the Legacy Fund. For the 2013-15 biennium, it is estimated that the \$300.0 million threshold will be reached in October 2014 and 25.0 percent of SII Fund revenues from November 2014 to June 2015 will be deposited into the Legacy Fund.
- ^{\4} Based on ND Constitution Article X, Section 26, no expenditures of principal or interest may be made from the fund until after June 30, 2017.

Notes:

HCR 3054 was adopted by the 2009 legislature and approved by the voters in November 2010. This measure establishes the North Dakota Legacy Fund as a constitutional trust fund. Thirty percent of all revenue collected by the state from oil and gas production and extraction taxes is transferred to the fund. Interest and investment earnings are retained in the fund until June 30, 2017, after which time they will be transferred to the general fund once each biennium. For the 2011-13 through 2015-17 bienniums, interest earnings will be added to the fund principal.

ND Outdoor Heritage Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0	\$0 ^{\1}
Revenue:			
Oil and gas gross production tax			\$16,932,128 ^{\2}
Expenditures:			
Grants and administrative expenses			(16,932,128) ^{\3}
Ending Balance	\$0	\$0	\$0

- ^{\1} The fund is created by passage of 2013 HB1278. No moneys will be deposited in the fund until after July 1, 2013.
- ^{\2} Although NDCC section 57-51-15 establishes a maximum allocation of \$15.0 million per year, the current forecast for oil and gas taxes will result in approximately \$17.6 million being allocated to the fund during the 2013-15 biennium.
- ^{\3} All moneys in the fund are appropriated on a continuing basis, pursuant to NDCC Section 54-17.8-02. It is unknown how much, if any, of the moneys in the fund will be spent during the 2013-15 biennium.

Notes:

The 2013 legislature, through passage of HB 1278, established the North Dakota Outdoor Heritage Fund. The bill creates chapter 54-17.8 of the NDCC, which establishes an advisory board to administer the fund, provides a continuing appropriation for the fund, and establishes allowable uses of the fund. Moneys in the fund can be used for grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations to:

- Provide access to private and public lands for sportsmen;
- Improve and maintain water quality, soil conditions, and support stewardship practices to enhance farming and ranching;
- Develop wildlife and fish habitat; and
- Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Funds may not be used for:

- Litigation;
- Lobbying; or
- Activities that would interfere with coal mining, sand and gravel extraction, oil and gas operations, or other energy facility or infrastructure development.

Four percent of oil and gas gross production tax revenue, up to \$15.0 million per year, is deposited into the fund.

Property Tax Relief Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$295,000,000 ^{\2}	\$341,790,000
Revenue:			
Transfer from permanent oil tax trust fund	\$299,233,000 ^{\3}		\$315,210,000 ^{\4}
Transfer from general fund		\$341,790,000	341,790,000
Allocation of oil tax revenue			
Total Revenues	\$299,233,000	\$341,790,000	\$657,000,000
Expenditures:			
Transfer to general fund for property tax relief		(\$295,000,000)	(\$341,790,000) ^{\5}
Appropriations for property tax relief	(\$4,233,000)		
Total Expenditures	(\$4,233,000)	(\$295,000,000)	(\$341,790,000)
Ending Balance	\$295,000,000	\$341,790,000	\$657,000,000

\1 Final revenues and expenditures per state accounting system reports dated June 30, 2011.

\2 Actual July 1, 2011 balance.

\3 Transfers from the Permanent Oil Tax Trust Fund consist of \$295.0 million transferred on July 1, 2010, pursuant to 2009 SB2199 and an additional \$4.2 million supplemental appropriation required for the 2009-11 biennium.

\4 Section 3 of 2013 HB1015 provides for a one-time transfer from the general fund to the Property Tax Relief Fund to set aside money for continuation of property tax relief programs during the 2015-17 biennium.

\5 Section 5 of 2013 HB1013 provides for a transfer from the Property Tax Relief Fund to the general fund for property tax relief programs enacted by the 2013 legislature. For the 2013-15 biennium, property tax relief is provided through the integrated school funding formula (HB1013) and through a state-paid property tax credit program (SB2036).

Notes:

The Property Tax Relief Fund was created by the 2009 Legislative Assembly to set aside funding for the continuation of the property tax relief initiative enacted during the 2009 legislative session. NDCC Section 57-51.1-07.5 provides that the first \$200.0 million of the state share of oil and gas taxes be allocated to the general fund each biennium. The next \$341.8 million is allocated to the Property Tax Relief Fund.

Resources Trust Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$87,378,167	\$155,940,058 ^{\2}	\$264,048,444
Revenue:			
Repayments and reimbursements	\$3,422,107	\$5,695,000	\$8,614,000
Oil extraction tax collections	148,886,433	383,988,108	564,213,350 ^{\6}
Interest	2,253,351	1,526,877	1,359,000
Total Revenues	<u>\$154,561,891</u>	<u>\$391,209,985 ^{\3}</u>	<u>\$574,186,350</u>
Expenditures:			
Water Commission expenditures	(\$86,000,000)	(\$273,101,599) ^{\4}	(\$750,606,094)
Bank of North Dakota		(10,000,000) ^{\5}	
Transfer to renewable energy development fund			(3,000,000) ^{\7}
Transfer to energy conservation grant fund			(1,200,000) ^{\7}
Total Expenditures and Transfers	<u>(\$86,000,000)</u>	<u>(\$283,101,599)</u>	<u>(\$754,806,094)</u>
Ending Balance	<u>\$155,940,058</u>	<u>\$264,048,444</u>	<u>\$83,428,700</u>

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

\2 Actual July 1, 2011 balance.

\3 Actual revenues through May 31, 2013 plus estimated receipts for the remainder of the biennium, based on the May 2013 legislative revenue forecast.

\4 Estimated agency expenditures for the 2011-13 biennium.

\5 HB1206, approved by the 2011 Legislative Assembly, appropriated \$10.0 million to the Bank of North Dakota for a 5.0 percent loan to the Western Area Water Supply Authority.

\6 The May 2013 legislative forecast assumes an average price of \$75-\$80 per barrel and production gradually increasing to 850,000 BOPD by the end of the biennium.

\7 SB2014, passed by the 2013 legislature, provides that 5.0 percent of oil extraction taxes deposited in the resources trust fund, up to \$3.0 million per biennium, must be transferred quarterly to the Renewable Energy Development Fund. This bill also provides that 0.5 percent of the amount deposited in the Resources Trust Fund, up to \$1.2 million per biennium, must be transferred quarterly to the Renewable Energy Conservation Grant Fund.

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, 10.0 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.

NDCC Section 57-51.1-07 provides that the Resources Trust Fund is available for legislative appropriation to the State Water Commission for planning and constructing water-related projects and to the Industrial Commission for energy conversion and waste products utilization programs and studies. The 1995 Legislative Assembly amended Section 57-51.1-07 to provide that 20.0 percent of oil extraction tax collections will be deposited in the Resources Trust Fund.

State Aid Distribution Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0 ^{\2}	\$0
Revenue:			
Sales tax revenue	\$110,430,669	\$187,929,393	\$226,026,428
Motor vehicle excise tax revenue	14,421,732	22,082,063	29,493,262
Total Revenues	<u>\$124,852,401</u>	<u>\$210,011,456</u> ^{\3}	<u>\$255,519,690</u> ^{\4}
Expenditures:			
Distributions to cities and counties	<u>(\$124,852,401)</u>	<u>(\$210,011,456)</u>	<u>(\$255,519,690)</u>
Ending Balance	\$0	\$0	\$0

\1 Final revenues and expenditures per state accounting system reports dated June 30, 2011.

\2 Actual July 1, 2011 balance.

\3 Based on actual revenues through May 31, 2013, and estimated receipts for the remaining month of the biennium using the May 2013 legislative revenue forecast.

\4 Estimated revenues based on the May 2013 legislative revenue forecast.

Notes:

NDCC Section 57-39.2-26.1 provides for the deposit of a portion of sales, use, and motor vehicle excise tax collections into the State Aid Distribution Fund. The 2013 legislature, through the passage of SB2325, changed the allocation of tax collections between the general fund and the State Aid Distribution Fund. For fiscal year 2014, the allocation remains unchanged -- the amount deposited into the State Aid Distribution Fund is equal to 40.0 percent of an amount determined by multiplying 1.0 percent, divided by the general sales tax rate, times the net sales, use, and motor vehicle excise tax collections. The calculation results in 8.0 percent of all sales and motor vehicle excise taxes being distributed through the State Aid Distribution Fund to cities and counties. For fiscal year 2015 and subsequent fiscal years, the State Aid Distribution Fund share is increased from 40.0 percent to 43.5 percent, multiplied by the quotient of 1.0 percent divided by the general sales tax rate of 5.0 percent. The result of the new formula is the allocation of 8.7 percent of all sales and motor vehicle excise tax collections to the State Aid Distribution Fund for distribution to cities and counties based on the formula provided in Section 57-39.2-26.1.

Strategic Investment and Improvements Fund
Status Statement

	2009-11 Actual	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0	\$926,901,312
Revenue:			
Transfer from Land and Minerals Trust fund		\$249,074,431 ^{\1}	
Mineral royalties		122,728,723	\$158,160,750
Mineral rents		438,104	400,000
Mineral bonus		106,922,161	32,000,000
Oil and gas taxes		761,421,220	681,808,187
Investment income		1,797,738	3,013,804
Total Revenue	\$0	\$1,242,382,377	\$875,382,741
Expenditures:			
Transfer to general fund		(\$305,000,000)	(\$520,000,000) ^{\3}
Transfer to Legacy fund ^{\2}		(9,045,631)	(16,669,800)
Appropriations			(223,750,000) ^{\3}
Administrative expenses		(1,435,434)	(1,740,000)
Total Expenditures and Transfers	\$0	(\$315,481,065)	(\$762,159,800)
Ending Balance Before Obligations	\$0	\$926,901,312	\$1,040,124,253
Less Fund Balance Obligations:			
Potential oil and gas revenue disputes		(133,985,322)	(141,985,322)
Biofuels loan guarantee		(25,000,000)	(25,000,000)
Total Assigned Fund Balance	\$0	(\$158,985,322)	(\$166,985,322)
Ending Unobligated Balance	\$0	\$767,915,990	\$873,138,931

^{\1} Pursuant to HB1451 (2011), the unobligated balance of the Lands and Minerals Trust fund was transferred to the Strategic Investment and Improvements (SII) Fund.

^{\2} Pursuant to NDCC Section 15-08.1-08, once the unobligated balance in this fund reaches \$300.0 million, 25.0 percent of fund revenues must be deposited into the Legacy Fund. Oil and gas taxes are shown net of amounts deposited directly into the Legacy Fund. The amount shown as the anticipated transfer to the Legacy Fund represents 25.0 percent of fund revenues other than oil and gas taxes estimated to be received after the unobligated fund balance exceeds the \$300.0 million threshold (estimated to be October 2014 during the 2013-15 biennium).

^{\3} 2013-15 appropriations and transfers - HB1015 provides for a \$520.0 million transfer to the general fund; HB1013 provides for an expansion of the school construction loan program using up to \$150.0 million from the SII Fund; SB2187 appropriates \$50.0 million for the Medical Facility Infrastructure Loan Fund; HB1358 appropriates \$2.0 million to the Dept. of Commerce for a grant program to nursing homes, basic care facilities and and DD facilities; HB1358 \$9.6 million to the Dept. of Human Services for a grant program to critical access hospitals in oil-producing counties and contiguous counties; HB1358 appropriates \$9.6 million to the Attorney General for law enforcement grants; SB2013 appropriates \$50,000 to the Dept. of Trust Lands for a study of issues affecting private lands adjacent to federal lands under the control of the Corps of Engineers; and SB2018 appropriates \$2.5 million to the Dept. of Commerce for a program to provide grants for enhanced use lease projects affecting the Grand Forks Air Force Base.

Notes:

The strategic investment and improvements fund was created by the 2011 legislature to replace the lands and minerals trust fund. In addition to income from the sale, lease, and management of certain state owned lands and mineral interests previously allocated to the Lands and Minerals Trust Fund, the Strategic Investment and Improvements Fund receives a portion of state oil and gas taxes.

Tobacco Prevention and Control Trust Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$14,107,486	\$29,556,426 ^{\2}	\$40,123,720
Revenue:			
Fiscal year 1 payments	\$12,274,393	\$11,392,521 ^{\3}	\$11,327,123 ^{\4}
Fiscal year 2 payments	11,186,239	11,402,609 ^{\3}	11,327,123 ^{\4}
Investment Income	106,910	60,000 ^{\5}	74,000 ^{\5}
Total Revenues	\$23,567,542	\$22,855,130	\$22,728,246
Expenditures:			
Appropriated expenditures	(\$8,118,602)	(\$12,287,836)	(\$15,815,828)
Total Expenditures and Transfers	(\$8,118,602)	(\$12,287,836)	(\$15,815,828)
Ending Balance	\$29,556,426	\$40,123,720	\$47,036,138

- \1 Final revenue and expenditures per state accounting system reports dated June 30, 2011.
- \2 Actual July 1, 2011 balance.
- \3 Actual revenue received during fiscal year 2012 and 2013
- \4 Estimated revenues based on average of fiscal years 2011, 2012 and 2013 actual amounts.
- \5 Investment income based on average actual interest earned to date during the 2011-13 biennium.

Notes:

In November 2008, voters approved Measure No. 3, which created a Tobacco Prevention and Control Trust Fund. All tobacco settlement strategic contribution payments received by the state will be deposited in the fund. After 2017, no additional strategic contribution payments are anticipated.

2009 HB1015, 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 2009-11 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

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$0	\$0 ^{\2}	\$0
Revenue:			
Fiscal year 1 payments	\$20,816,865	\$20,127,217 ^{\3}	\$20,000,000 ^{\4}
Fiscal year 2 payments	19,736,098	20,112,899 ^{\3}	20,000,000 ^{\4}
Total Revenues	<u>\$40,552,963</u>	<u>\$40,240,116</u>	<u>\$40,000,000</u>
Transfers:			
Transfer to community health trust fund	(\$4,055,296)	(\$4,024,012)	(\$4,000,000)
Transfer to water development trust fund	(18,248,833)	(18,108,052)	(18,000,000)
Transfer to common schools trust fund	(18,248,833)	(18,108,052)	(18,000,000)
Total Expenditures and Transfers	<u>(\$40,552,963)</u>	<u>(\$40,240,116)</u>	<u>(\$40,000,000)</u>
Ending Balance	\$0	\$0	\$0

\1 Final revenues and expenditures per state accounting system reports dated June 30, 2011.

\2 Actual July 1, 2011 balance.

\3 Actual revenues received in April 2012 and 2013.

\4 Estimated revenues based on average of fiscal year 2011, 2012, and 2013 actual amounts.

Notes:

NDCC Section 54-27-25, enacted in 1999, establishes the Tobacco Settlement Trust Fund. The fund is 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 for enforcement of the judgment, except amounts relating to the strategic contribution payments, must be deposited in the Tobacco Settlement Trust Fund. The principal of the Tobacco Settlement Trust Fund must be allocated as follows:

- 10.0 percent to the Community Health Trust Fund
- 45.0 percent to the Common Schools Trust Fund
- 45.0 percent 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 payments received by the state will be deposited directly into that fund and are not reflected on this statement.

Tuition Apportionment Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$1,149,701	\$1,262,358 ^{\2}	\$1,273,935
Revenue:			
Fines for violation of state laws	\$9,557,016	\$11,350,000 ^{\3}	\$10,800,000
Transfers from common schools	77,178,000	92,514,000 ^{\4}	130,326,000 ^{\4}
Total Revenues	\$86,735,016	\$103,864,000	\$141,126,000
Expenditures:			
Tuition fund distributions to schools	(\$86,622,359)	(\$103,852,423) ^{\5}	(\$140,326,000) ^{\6}
Ending Balance	\$1,262,358	\$1,273,935	\$2,073,935

\1 Final revenues and expenditures per state accounting system reports, dated June 30, 2011.

\2 Actual July 1, 2011 balance.

\3 Actual revenues through May 31, 2013 and estimated revenues for the remaining month of the biennium.

\4 Common Schools Trust Fund distribution estimates provided by Department of Trust Lands.

\5 Section 7 of 2011 SB2013 appropriates additional moneys in the State Tuition Fund, if they become available. The original legislative appropriation was \$101.7 million. Fine and forfeiture revenue exceeded estimates and resulted in the DPI distributing an additional \$2.2 million through the use of this additional appropriation authority. Tuition Fund moneys are budgeted through the DPI Fund.

\6 Section 4 of 2013 HB1013 appropriates State Tuition Fund moneys in excess of \$140.3 million, if they become available during the 2013-15 biennium. Tuition Fund moneys are budgeted through the DPI Fund.

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 NDCC Section 15.1-28-01. Beginning with the 2007-09 biennium, tuition apportionment payments have been included in state school aid distributions to school districts.

Water Development Trust Fund
Status Statement

	2009-11 Actual ^{\1}	2011-13 Projected	2013-15 Appropriated
Beginning Balance	\$21,010,583	\$25,209,356 ^{\2}	\$26,371,794
Revenue:			
Transfers from the tobacco settlement trust	18,248,834	18,102,172 ^{\3}	18,000,000 ^{\5}
Expenditures:			
Water Commission expenditures	(14,050,061)	(16,939,734) ^{\4}	(44,250,000)
Ending Balance	\$25,209,356	\$26,371,794	\$121,794

- \1 Final revenues and expenditures per state accounting system reports.
- \2 Actual July 1, 2011 balance.
- \3 Actual revenues received during fiscal year 2012 and fiscal year 2013.
- \4 Estimated expenditures for the 2011-13 biennium, as projected by the State Water Commission.
- \5 Estimated revenues based on fiscal year 2011 and 2012 actual amounts.

Notes:

The Water Development Trust Fund was established by the Legislative Assembly in 1999, upon enactment of NDCC Section 54-27-25. NDCC Section 54-27-25 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 are allocated 45.0 percent to the Water Development Trust Fund, 45.0 percent to the Common Schools Trust Fund, and 10.0 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 moneys received by the state. Provisions of the measure were in effect prior to receipt of the 2009 strategic contribution payment in April 2009, resulting in a reduction of Water Development Trust Fund revenue for the 2007-09 and subsequent bienniums due to amounts deposited in the Tobacco Prevention and Control Trust Fund that would have otherwise been deposited in the Water Development Trust Fund.

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.

GENERAL GOVERNMENT

Secretary of State

The Office of the Secretary of State is the office of record for certain legal documents generated by the executive and legislative branches of government; the office of record for public records and notices relating to business entities; and the agency charged with a wide range of licensing, regulatory, registration, and administrative functions. The office is headed by the Secretary of State, an elected official, who also serves as the state's chief election officer.

The executive budget continued 3.00 FTE and \$283,754 from the general fund for three positions that were approved by the Emergency Commission and Budget Section during the 2011-13 biennium. The legislative appropriation approved the FTE and general fund expenditure, but moved them to the one-time spending category. If workload warrants it, the Secretary of State will need to ask again for these FTE in their 2015-17 budget request.

Office of Management and Budget

The Office of Management and Budget (OMB) provides services and support to agencies through the Fiscal Management, Human Resource Management Services, Central Services, Facility Management and Risk Management divisions. The legislature approved a budget of \$59.7 million for agency operations and a \$315.2 million transfer to the property tax relief sustainability fund. Included in the agency budget is a \$2.0 million health insurance pool to provide insurance to temporary employees as required under the federal Affordable Care Act (ACA) and an \$8.5 million state agency energy

development impact pool to provide housing assistance and temporary salary increases for employees affected by energy development.

Information Technology Department

The Information Technology Department is responsible for providing services to state agencies, higher education, counties, cities and school districts. The Governor recommended and the legislature approved a \$170.9 million budget with \$21.3 million from the general fund. Included in the budget is 4.00 FTE transferred from Workforce Safety and Insurance (WSI). The transferred FTE will continue to support WSI systems. The legislature also provided for a study of information technology hardware relocation and consolidation as well as a study of information technology desktop support. The Governor's Executive Order for large-scale information technology projects was adopted in SB 2034, which provides that an executive steering committee be appointed for all major information technology projects.

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 divisions, the Attorney General's budget includes the divisions of Civil Litigation, Bureau of Criminal Investigation, Consumer Protection and Antitrust, Crime Laboratory, Criminal and Regulatory, Fire Marshal, Gaming, Natural Resources and Indian Affairs, State and Local Government and the Lottery.

The Governor's recommended budget for the Office of the Attorney General was \$66.4 million, including \$37.4 million from the general fund. The Legislative Assembly approved

\$73.0 million with \$37.7 million from the general fund. The executive budget included the continuation of 8.50 FTE, previously funded with federal funds that are no longer available, and an additional increase of 7.50 FTE. The legislature not only approved the FTE included in the executive budget, but added another 2.00 FTE—one for the sex offender registry program and one for the information technology program.

The Legislative Assembly also included \$400,000 in abortion litigation fees to finance any litigation costs in the 2013-15 biennium arising from the abortion legislation passed during the 63rd Legislative Session. Additionally, the Office of the Attorney General was given authority to spend \$6.5 million, of which \$121,391 is from the general fund, to finance other pieces of legislation impacting the Office of the Attorney general, most notably, the stricter DUI penalties.

Office of State Tax Commissioner

The Office of the Tax Commissioner is the state agency responsible for the administration and collection of state tax revenues. For the 2013-15 biennium, the legislature appropriated a budget of \$57.2 million, of which \$57.1 million is from the general fund.

The state has made significant investments in the department's information technology, especially the GenTax software which has proven to be a valuable tool for the department in administering taxes and collecting tax revenues. The 2013 legislature agreed with the executive recommendation to continue the state's investment in this software and also provide an additional \$1.0 million to implement the taxpayer

access point (TAP) module to improve online filing options for taxpayers.

Also included in the budget for the Office of the Tax Commissioner are appropriations for the Homestead Property Tax Credit program and the Disabled Veterans Property Tax Credit program. The Governor recommended a significant expansion of the Homestead Property Tax Credit program, a program that provides tax relief to qualifying low-income seniors, reducing their property tax burden. In SB 2171, the legislature approved a smaller expansion of the program than that recommended by the governor, but still made significant improvements by raising the maximum income limit from \$26,000 to \$38,000 and increasing the maximum asset limit from \$75,000 to \$500,000, including the value of the taxpayer's home. Tax relief provided through the program is anticipated to more than double, from \$8.8 million in the current biennium to \$20.0 million in the 2013-15 biennium.

The Governor signed HB 1306 to expand the Disabled Veterans Homestead Property Tax Credit program. The expanded program results in a \$3.5 million increase in tax relief for qualifying disabled veterans -- from \$4.2 million in the 2011-13 to \$7.7 million in 2013-15.

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, including compensation increases was \$95.7 million, of which \$93.5 million was from the general fund, representing an increase of \$9.0 million. The Legislative Assembly approved a total budget of \$100.4 million, of which \$98.2 million was from the general fund.

The judicial branch budget request included the addition of 15.00 FTE including 4.00 technology coordinator positions, which were moved from full time temporary to full time regular positions, 8.00 deputy clerk of court positions, 2.00 juvenile court officers and 1.00 citizen access coordinator. The Legislative Assembly approved all but 2.00 deputy clerk of court positions. SB 2075, which created three additional judgeships, was also moved into the Judicial Branch budget.

Commission on Legal Counsel for Indigents

The Commission on Legal Counsel for Indigents is responsible for delivery of constitutionally-adequate services to criminal defendants and respondents in the state who financially qualify for indigent services in accordance with eligibility requirements. The agency has experienced a dramatic increase in caseloads, particularly in western North Dakota. To address the need to meet the constitutionally mandated services, the executive budget recommended and the legislature approved an additional 3.00 FTE, which include: an attorney position to be located in either the northwest or southwest units; a legal assistant to be located in Dickinson; and a legal assistant to be located in Williston. In addition, the executive budget includes a \$1.6 million increase for contract attorneys, of which \$1.1 million is from the general fund. The contract attorneys are used, in addition to full-time public defenders, in cases where

there are conflicts for the public defenders offices or if the caseload requires additional attorneys.

Public Employees Retirement System

State employee benefit plans are administered by the Public Employees Retirement System (PERS). Numerous political subdivisions also participate in the state system. Benefit plans offered include retirement, deferred compensation, health insurance, life insurance, employee assistance, pretax benefits along with dental, vision and long term care plans.

The legislature approved \$7.7 million of special fund authority for the 2013-15 biennium. Also approved by the legislature in HB 1452 was an increased contribution of 2.0 percent to the retirement plan beginning January 2014; 1.0 percent to be paid by the employer and 1.0 percent to be paid by the employee. In order to comply with the federal Affordable Care Act (ACA) requirements, legislation was approved in HB 1058 to modify the insurance eligibility rules for temporary employees working a minimum average of thirty hours per week, and to limit the cost of coverage to 9.5% of the household income. HB 1059 was signed by the Governor which closes the PERS Health Plan to pre-Medicare retirees, providing them the flexibility to access insurance through the new Federally Facilitated Marketplace (FFM). The bill also makes the retiree health care credit portable for any health insurance coverage and also allows it to be used for other insurance such as PERS dental, vision, prescription and long term care coverage.

EDUCATION

Higher Education

North Dakota University System (NDUS)

North Dakota's high-quality institutions of higher learning are preparing youth for tomorrow's workforce and serve as an economic engine for the state. Multiple entities are included in the university system budget. The System is comprised of the following: two research universities, including a medical school; one master's institution; three baccalaureate institutions; five two-year colleges; the North Dakota Forest Service; and the University System Office

The 2013-15 NDUS appropriation is \$1.077 billion, of which \$902.6 million is from the general fund. Ongoing costs make up \$679.3 million of the general fund appropriation and represent a 12.0 percent increase over the 2011-13 ongoing appropriation. The remaining general fund budget consists of capital construction projects and other one-time initiatives totaling \$223.4 million.

In a historic move that improves both the transparency and equity of higher education funding, the legislature approved the Governor's recommendation to move the higher education institutions to a cost-based funding model that provides a fixed amount per completed student credit hour. Slightly more than \$56.0 million was appropriated to transition to the new formula. Of that amount, \$16.5 million will be used to move towards equalizing campus funding levels based on completed student credit hours within each institutional tier. Another \$39.5 million was provided for salary and benefit increases, as well as operating expenses and utility inflation.

The Legislative Assembly also approved \$29.0 million for the North Dakota Higher Education Challenge matching grant fund, which is slightly under the \$30.0 million included in the executive recommendation. The program is designed to stimulate the spirit of philanthropy at the state's colleges and universities. Every \$2 in eligible, private donations will be matched with \$1 in state funding.

Additional general fund budget initiatives were focused in the following areas:

System Operations

- \$2.5 million to enhance system-wide campus safety and security;
- \$2.0 million to address staffing and operational needs in the NDUS system office;
- \$3.1 million was transferred to the NDUS System Office from the University of North Dakota (UND) and North Dakota State University (NDSU) operating budgets to consolidate system-wide audit and legal services;
- \$5.0 million to assist Minot State University's (MiSU) recovery from the 2011 Mouse River flood, of which \$2.5 million is one-time funding;
- \$2.5 million to offset the impact of oil development at Williston State College (WSC);
- \$325,000 to provide assistance to eligible veterans enrolling in institutions of higher education (HB1289);
- \$282,520 for a student mental health initiative, including after-hours crisis intervention, on-campus psychiatric support, and training for mental health counselors;
- \$100,000 for the Great Plains Science, Technology, Engineering, and Mathematics Center at Valley City State University (VCSU); and

- One-time general fund appropriations of \$13.4 million for campus operations include:
 - \$7.4 million for a Healthcare Workforce Initiative to expand class sizes and the number of available residency positions at the UND School of Medicine and Health Sciences;
 - \$5.0 million to create a performance funding pool for campuses that meet specified goals or other performance measures determined by the State Board for Higher Education;
 - \$800,000 to DSU for Theodore Roosevelt Center operations. Up to \$200,000 of this amount may be used for planning costs related to construction of the Theodore Roosevelt Presidential Library; and,
 - \$190,000 for extraordinary repairs at the ND Museum of Art located on the UND campus.

Capital Projects and Extraordinary Repairs

- \$413.7 million to be invested in capital projects and extraordinary repairs across the eleven campuses, with \$177.6 million from the general fund and \$236.0 million from Bank of North Dakota (BND) loans, federal grants, revenue bonds, and other special revenue sources. Highlights of the 39 authorized projects include:
 - \$122.5 million, of which \$60.5 million is from the general fund and \$62.0 million is BND borrowing authority, for a new medical school at UND;
 - \$28.1 million for a Science, Technology, Engineering and Mathematics (STEM) classroom building at NDSU;
 - \$19.3 million, of which \$12.6 million is from the general fund and \$6.7 million is from special funds, for a Communications and Creative Arts Center at Bismarck State College (BSC);

- \$9.0 million to build a Theodore Roosevelt Presidential Library at Dickinson State University (DSU). The project includes a direct general fund appropriation of \$6.0 million and requires \$3.0 million of special fund matching dollars. Another \$6.0 million from the general fund is appropriated, if the general fund's fiscal year 2014 revenues exceed projections by at least 3.5 percent;
- \$11.6 million to renovate Stevens Hall at WSC;
- \$11.4 million for construction of a new Law School building at UND; and
- \$10.0 million to be distributed to campuses for extraordinary repairs.

Student Financial Aid Programs

- \$10.0 million to sustain the career and technical education and academic scholarship program established in 2009. The program provides scholarships of \$1,500 per year, up to \$6,000 in total, to resident students who attend a ND institution and meet the statutory qualifications. Governor Dalrymple recommended increasing the maximum to \$10,000 per student; however, this was not approved by the legislature; and
- \$21.2 million, an increase of \$2.2 million, for needs-based scholarships to ND students.

Forest Service

- \$387,704 for a forest restoration initiative; and,
- \$785,000 for construction of a nursery freezer conversion and shop facility.

Elementary, Secondary, and Other Education

Department of Public Instruction

The Department of Public Instruction (DPI) administers state laws relating to the education and accreditation of public elementary and secondary schools, distributes state and federal funds to support public education, and is charged with supervision of the State Library, School for the Deaf, and ND Vision Services. For the 2013-15 biennium, the legislature appropriated to DPI \$2.161 billion, of which \$1.724 billion is from the general fund.

Integrated Formula – Property Tax Relief and School Funding

The Governor's recommendation for a new elementary and secondary education funding formula was approved by the 2013 legislature with only minor changes. The new funding plan provides for an integrated formula to deliver both expanded property tax relief and adequacy-based education funding. For the 2013-15 biennium, the state will provide \$1.752 billion (HB 1013) for the integrated formula, an increase of \$482.9 million when compared to the 2011-13 appropriations for mill levy reduction grants and state school aid. The integrated formula is funded with appropriations of \$1.612 billion from the general fund and \$140.3 million from the State Tuition Fund.

The integrated formula includes limitations on school district authority to levy property taxes and provides funding to replace locally raised taxes. For the 2011-13 biennium, the statutory limit for school district general fund taxing authority was set at 185 mills, with the state paying up to 75 of those mills and the district levying 110 mills against local property value. The new integrated formula assumes a district levy of 60 mills for the

purpose of providing educational services, a property tax reduction of 50 mills for districts that were at the statutory cap. Districts are allowed to levy an additional 10 mills, up to a total of 70 mills, for educational services.

Growth in a district's educational levy is limited to no more than 12.0 percent per year based on the dollars raised through the property tax levy in the previous year. In addition, districts are allowed to levy up to 12 mills for miscellaneous purposes.

The new integrated formula provides unprecedented equalization across districts, reducing disparities in funding that resulted from differences in local property value. The basis of the formula is the 2008 report by Lawrence Picus and Associates. The Picus study determined that for the 2007-08 school year, a base adequate funding level was \$7,293 per student. This amount has been adjusted for inflation by 3.2 percent per year, based on average changes in the consumer price indexes (CPI) for all items and for educational services. The inflation-adjusted per student payment rates used in the new integrated formula are \$8,810 for 2013-14 and \$9,092 for 2014-15.

Various safeguards are included to protect districts from funding decreases and limit extraordinary gains as the transition is made to the new funding formula. A baseline funding amount per student is calculated for each district based on state and local funding during the 2012-13 school year. Districts are guaranteed no less than 102.0 percent of the baseline funding per student for 2013-14 and no less than 104.0 percent for 2014-15. Districts with declining enrollment are protected with a guarantee that total state funding received in both 2013-14 and 2014-15 will not be less than 100.0 percent of 2012-13 baseline funding, regardless of the decline

in students. Districts are limited to an increase of no more than 110.0 percent of the baseline funding per student for 2013-14 and no more than 120.0 percent for 2014-15.

The integrated formula can be summarized as follows:

Weighted Student Units	x	Per Student Rate	=	Total Cost of Education	=	<table style="border-collapse: collapse; border-top: 1px solid black; border-bottom: 1px solid black;"> <tr> <td style="padding: 2px 5px;">Local Share</td> <td style="padding: 2px 5px;">State Share</td> </tr> <tr> <td style="padding: 2px 5px;">60 mills X Local Tax Base</td> <td style="padding: 2px 5px;">75% of Other Local Revenue</td> </tr> </table>	Local Share	State Share	60 mills X Local Tax Base	75% of Other Local Revenue	+	State Adequacy Payment
Local Share	State Share											
60 mills X Local Tax Base	75% of Other Local Revenue											

Rapid Enrollment Grants

The 2011 legislature appropriated \$5.0 million from the Oil and Gas Impact Grant Fund to provide grants to districts experiencing exceptional enrollment growth, defined as an increase of at least 7.0 percent annually. For the 2013-15 biennium, the

legislature appropriated \$13.6 million (HB 1261) from the general fund to provide grants to districts experiencing rapid enrollment. For the 2013-15 biennium a supplemental payment of \$3,900 per student is provided for districts experiencing enrollment growth of 4.0 percent or more, provided that represents an increase of at least 20 students.

Transportation and Special Education Contracts

HB 1013 includes an increase in transportation funding of \$5.0 million, to provide a total of \$53.5 million for the 2013-15 biennium. Other increases include \$500,000 for special education contracts, to provide a total of \$16.5 million.

The following chart summarizes the major state funded grant programs administered by the Department of Public Instruction:

SCHOOL AID AND OTHER STATE GRANTS APPROPRIATED TO THE DEPT. OF PUBLIC INSTRUCTION

	2011-13 Adjusted Appropriation	2013-15 Recommendation	2013-15 Appropriation	2013-15 Appropriation Change From 2011-13
School Aid/Mill Levy Reduction Grant Program				
Appropriation				
State school aid	\$927,459,478			(\$927,459,478)
Mill levy reduction grants	341,790,000			(341,790,000)
Integrated formula payment		\$1,787,400,000	\$1,752,100,000	1,752,100,000
Total appropriation	\$1,269,249,478	\$1,787,400,000	\$1,752,100,000	\$482,850,522
Funding				
General fund	\$825,821,478	\$932,900,162	\$1,611,774,000	\$785,952,522
General fund (transferred from property tax fund)	341,790,000			(341,790,000)
Tuition fund	101,638,000	140,326,000	140,326,000	38,688,000
Property tax relief fund		714,173,838		
Total funding	\$1,269,249,478	\$1,787,400,000	\$1,752,100,000	\$482,850,522
Other Grants				
Appropriation				
Rapid enrollment grants	\$5,000,000	\$17,000,000	\$13,600,000	\$8,600,000
Transportation	48,500,000	53,500,000	53,500,000	5,000,000
Special education contracts	16,000,000	16,500,000	16,500,000	500,000
Adult Basic Education	3,610,411	3,110,411	3,110,411	(500,000)
Mentoring Program	2,300,000	2,300,000	2,300,000	
School Food and Nutrition	1,380,000	1,380,000	1,380,000	
Gearing Up for Kindergarten	625,000	815,000	675,000	50,000
Common core standards *		500,000		
Teacher/principal evaluation system *		400,000		
North Central Council for School Television	485,000	535,000	535,000	50,000
North Dakota Governor's School	460,000	460,000	460,000	
ND Museum of Art	380,000	415,000	415,000	35,000
Teacher Center Network	360,000	360,000	360,000	
Middle school alternative education	300,000			(300,000)
LEAD	260,000	260,000	260,000	
Dispalced Homemaker Program	250,000	225,000	225,000	(25,000)
Continuing Ed Grants for Pre-School	150,000	150,000	150,000	

SCHOOL AID AND OTHER STATE GRANTS APPROPRIATED TO THE DEPT. OF PUBLIC INSTRUCTION

	2011-13 Adjusted Appropriation	2013-15 Recommendation	2013-15 Appropriation	2013-15 Appropriation Change From 2011-13
Grants for Pre-Kindergarten Space	125,000	125,000	125,000	
Young Entrepreneur Education Program	120,000	120,000	120,000	
Atlantik-Brucke (Global Bridges) Program	105,000	105,000	150,000	45,000
Continuing education grants	100,000	150,000	150,000	50,000
Curriculum Alignment Grants	100,000	100,000	100,000	
Northern Plains Writing Project	70,000	70,000	70,000	
Red River Valley Writing Project	88,000	103,000	103,000	15,000
We the People	22,000	20,000	20,000	(2,000)
ESPB National Board Certification	185,000	120,000	120,000	(65,000)
Pathfinders Parent Project			131,106	131,106
CPR training reimbursement grants			450,000	450,000
School district safety grants			3,000,000	3,000,000
Grant for update of Governing textbook			20,000	20,000
Total appropriation	\$80,975,411	\$98,823,411	\$98,029,517	\$17,054,106
Funding				
General fund	\$75,540,411	\$98,598,411	\$97,804,517	\$22,264,106
Special funds	5,435,000	225,000	225,000	(5,210,000)
Total funding	\$80,975,411	\$98,823,411	\$98,029,517	\$17,054,106
Grand Total - State Grants				
General fund	\$1,243,151,889	\$1,031,498,573	\$1,709,578,517	\$466,426,628
Special funds	107,073,000	854,724,838	140,551,000	33,478,000
Total funding	\$1,350,224,889	\$1,886,223,411	\$1,850,129,517	\$499,904,628

* Funding removed by the 2013 legislature and replaced with a \$2.75 million funding pool for various initiatives, including common core standards, teacher/principal evaluation systems, and other initiatives determined by the Superintendent of Public Instruction.

Department of Trust Lands

The Department of Trust Lands 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. The legislature approved a special funds budget of \$247.5 million for the 2013-15 biennium.

The 2013 legislature approved the executive recommendation to authorize an additional 6.25 FTE to address the rapidly expanding workload as the agency manages surface and mineral acres on behalf of the state. Two of the positions relate to the department’s responsibilities administering the Oil and Gas Impact Grant program. During the 2009-11 biennium, the agency operated an \$8.0 million grant program. For the 2011-13 biennium, the original appropriation for oil and gas impact grants was \$100.0 million. For the 2013-15 biennium, the legislature authorized a grant program of \$240.0 million.

The \$240.0 million appropriation for the Oil and Gas Impact Grant program is authorized in two separate bills: SB 2013 and HB 1358. HB 1358, a bill that makes significant changes in the state/local split of oil and gas gross production taxes and also changes how those moneys are allocated among local political subdivisions, includes an appropriation of \$239.3 million for oil and gas impact grants. SB 2013, the agency’s appropriation bill, includes an appropriation of approximately \$700,000 to administer the Oil and Gas Impact Grant program for the 2013-15 biennium. The legislature earmarked a portion of the grant funds to be used to address various priorities. Those priorities are listed in HB 1358.

	Grant Amounts (In Millions)
Counties experiencing new oil and gas development	\$5.0
Airports impacted by oil and gas development	60.0
Public institutions of higher education	4.0
Dust-control pilot projects	3.0
County sheriff’s departments	7.0
Emergency medical services providers	7.0
Fire protection districts	3.5
Hub cities (\$2 million to Williston, \$7 million to Dickinson, \$5 million to Minot)	14.0
Total grant priorities	\$103.5

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 appropriated \$8.3 million, of which \$5.9 million is from the general fund, for the 2013-15 biennium.

The 2013 legislature approved the executive recommendation to provide \$1.8 million for state aid to public libraries, an increase of \$266,500. State aid provides an important source of funding for the state’s public libraries; funds are distributed on the basis of population and area served. However, the legislature did not approve \$275,000 included in the executive recommended as a one-time appropriation to provide matching grants for critical library repair and maintenance projects.

School for the Deaf/Resource Center for Deaf and Hard of Hearing

The School for the Deaf has changed its name to the School for the Deaf/Resource Center for Deaf and Hard of Hearing to reflect a change in its mission. It has grown from being the state's educational institution for children with severe to profound hearing loss to include statewide services to the deaf and hard of hearing of all ages. For the 2013-15 biennium the legislature approved a budget of \$10.4 million, of which \$7.8 million is from the general fund.

The 2013 legislature supported the executive recommendation to include \$200,000 from the general fund to continue the higher education interpreter grant program, originally authorized by the 2009 legislature. The legislature also supported the recommendation to provide nearly \$1.2 million for critical repairs to the kitchen, dormitory building, and campus infrastructure -- the second phase of an extensive maintenance and repair project authorized by the 2011 legislature.

ND Vision Services/School for the Blind

North Dakota Vision Services/School for the Blind provides a full range of services statewide to persons of all ages who are blind or visually impaired. The legislature appropriated \$8.5 million, of which \$7.7 million is from the general fund, for the 2013-15 biennium.

The legislature provided a significant investment to improve the agency's facilities during the 2013-15 biennium. The legislature approved the executive recommendation to appropriate \$241,500 for installation of an elevator to provide access to the

second floor of the South Wing of the building and \$189,000 for window replacements in the building's West Wing, which is currently occupied by the Grand Forks Public School. In addition to the projects recommended by the Governor, the legislature provided \$2.8 million for a comprehensive remodeling project to update the building's West Wing.

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. For the 2013-15 biennium, the legislature approved a budget of \$42.7 million, of which \$32.4 million is from the general fund.

Over \$22.0 million will be provided to schools during the 2013-15 biennium to support and expand CTE offerings, providing more educational opportunities for students and important job skills for those students entering the workforce. The 2013 legislature approved the executive recommendation to increase the agency's general fund grant authority by \$500,000 to maintain reimbursement rates at the current level. An additional \$1.2 million was provided to support new and expanded program offerings across the state. Another \$500,000 was approved for establishment of a new virtual center to expand course offerings through the cooperative delivery of programs. In addition, the legislature approved \$950,000 for various science, technology, engineering, and mathematics (STEM) related initiatives.

In the executive budget, workforce training grants were continued at \$3.0 million for the 2013-15 biennium. However,

the legislature added an additional \$1.0 million for one-time equipment purchases to support the state's four workforce training programs. Grants to support adult farm management programs are continued at \$669,802.

HEALTH AND HUMAN SERVICES

Department of Health

The Department of Health safeguards the quality of air, land and water resources and promotes healthy behaviors throughout the state. Additionally, the department oversees medical emergency preparedness, regulates food and lodging and healthcare facilities and provides state forensic examination services. The legislature approved an appropriation of \$185.6 million including \$46.0 million from the general fund. Included in the 2013-15 biennium budget is a general fund increase of \$1.0 million for a total of \$4.0 million in state aid to local public health units. Funding is provided to contract with the University of North Dakota Medical School to conduct autopsies for counties in the eastern part of the state. The two-fold benefit will assist with the increasing number of autopsies as well as provide increased academic and educational opportunities at UND in forensic pathology.

The legislature approved 8.00 additional FTE and \$2.0 million to assist with the rapidly increasing number of inspections and licensing that are a result of the growing energy development. Additional FTE will assist in the areas of food and lodging, air quality, public and drinking water safety and waste management. Funding for replacement of the food and lodging licensing management system will improve efficiencies for

establishments and inspectors by providing electronic access and the ability to accept credit cards for license renewals.

The Executive Recommendation increased funding for rural emergency medical service grants by \$2.4 million. The legislature approved the total \$7.3 million appropriation which includes \$940,000 for training grants. In an attempt to utilize the down time of paramedics between ambulance calls the legislature approved the executive recommendation of 1.00 FTE and \$276,600 for a pilot Community Paramedic program to coordinate ambulance workers in order to assist community health workers.

Additional appropriations include:

- \$383,000 from the general fund for a stroke system of care that improves the diagnosis, treatment and rehabilitation of stroke patients;
- Increased funding of \$285,000 for a total of \$752,600 for colorectal cancer screening;
- \$1.0 million for universal vaccines to address additional population needs and the increasing number of required vaccines;
- \$500,000 for ongoing legal challenges against the Environmental Protection Agency; and
- Continued funding for medical, dental and veterinarian loan repayments.

Veterans Home

The North Dakota Veterans Home is a skilled and basic care facility for veterans and their spouses. 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 Governor's executive recommendation of \$23.9 million was increased by the legislature to \$24.2 million, providing a \$788,200 appropriation utilizing mineral royalty funds to build a workshop addition for the veterans.

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 legislature appropriated \$1.7 million from the general fund, an increase of \$300,000 from the current biennium. In addition to the 1.00 FTE provided by the Governor for a national service officer position, \$50,000 was approved to train service dogs to assist veterans having post-traumatic stress disorder; \$50,000 is available for grants to veterans exposed to agent orange, and an additional transfer of \$250,000 was made to the Post War Trust fund to increase the principal balance of the fund.

Department of Human Services

The Department of Human Services is under the direction of a cabinet-level official appointed by the Governor. Major program areas include:

- Economic Assistance Policy - Including Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Low Income Home Energy Assistance Program (LIHEAP), and Child Care Assistance
- Medical Services – Includes funding for hospitals, physicians, dentists, nursing homes developmental

disability grants, Home and Community Based Services and the Children's Health Insurance Program (CHIP)

- Child Support
- Aging Services - Older Americans Act programs
- Children and Family Services
- Mental Health and Substance Abuse
- Developmental Disability Services (DD)
- Vocational Rehabilitation - Including Disability Determination Services
- Autism Services
- Field Services

Field services provided by the Department of Human Services are 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, substance abuse and the civil commitment sex offender treatment program; and
- The Developmental Center at Westwood Park located in Grafton. The legislature approved changing the facility name to "Life Skills and Transition Center". The Center is an educational and training facility for persons with developmental disabilities.

The legislature approved a \$2.949 billion budget for the 2013-15 biennium, of which \$1.171 billion is from the general fund. The 2013-15 budget is an increase of \$300.9 million including

\$230.1 million from the general fund above the 2011-13 biennium. A significant share of the general fund change includes \$93.3 million as a result of Federal Medicaid Assistance Percentage (FMAP) changes. The growing per capita personal income in North Dakota has resulted in the FMAP dropping to 50.0 percent, increasing the state's share of the cost for Medicaid services. \$3.2 million was included for increased Medicare Part D Clawback payments which is the state's cost for reimbursement of prescription drugs for "dual eligibles", those qualifying for both Medicare and Medicaid.

As a provision of the Affordable Care Act (ACA), Medicaid Expansion was approved in HB 1362 and is appropriated at \$158.0 million federal funding. Expansion will provide coverage to all individuals under the age of 65 below 138.0 percent of the Federal Poverty Level, effective January 1, 2014. An anticipated result of the ACA is that previously eligible individuals are expected to apply for Medicaid coverage which was appropriated at \$4.5 million, a 50.0 percent reduction from the executive recommendation.

The Governor's recommendation of a 4.0 percent fiscal year 2014 and 4.0 percent fiscal year 2015 inflationary increase to providers was approved by the legislature for all providers except long term care. Long term care providers received a 3.0 percent and 3.0 percent inflationary increase plus a \$1 per hour wage pass through to nursing homes, basic care facilities, DD providers and a \$1 per hour fee increase for Qualified Service Providers (QSPs). Provider inflation was appropriated at \$123.5 million with \$64.0 million from the general fund. In addition, QSPs will receive a mileage differential appropriated at \$2.3 million with \$1.7 million from the general fund. A funding increase of \$1.3 million was provided to critical access hospitals to continue the cost-based reimbursement for

outpatient laboratory and care provided by certified registered nurse anesthetists. Rural health clinics received \$1.4 million to rebase to Medicare rates. Additionally, the legislature approved \$873,362 from the general fund, \$1.5 million total funds, to increase personal care allowances at the same level recommended by the Governor.

To continue to support home and community-based services, which are essential to keeping individuals in their homes and communities as long as possible, the Governor provided an additional \$2.8 million; home delivered meals will be provided 7 days a week for Service Payments for the Elderly and Disabled (SPED) and Expanded Service Payments for the Elderly and Disabled (Ex-SPED) clients under 60 years of age; extended personal care services are being added to the SPED program to allow qualified service providers to administer medications and perform other medical tasks; and individuals with dementia and traumatic brain injury can receive 24-hour supervision within the daily rate. The senior meals program was increased \$1.6 million for a total program funding of \$11.0 million. This program provides funding for meals to seniors in their homes and in local senior centers.

Additional funding was provided for several programs:

- \$2.2 million for additional bed capacity for the transitional living program, short-term crisis stabilization and long-term residential program for individuals with mental illness and chemical dependency issues;
- \$2.7 million, including \$1.4 million from the general fund for beds at two homes for Children's Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/ID);
- \$222,649 for partnership and mental health case management, \$240,952 for developmental disability

- case management services and \$404,897 for temporary staff at the Southeast Human Service Center;
- \$240,000 for transitional employment grants at the South Central Human Service Center;
- \$313,883 for Community based sex offender high risk treatment;
- \$320,000 for traumatic brain injury facilitators in the four regions of the state;
- \$442,200 for 2-1-1- services;
- \$800,000 for Centers for Independent Living;
- \$296,000 for services at the Robinson Recovery Center;
- \$100,000 for the Older Blind Program;
- \$200,000 grant for Annie's House, to provide adaptive skiing for disabled individuals;
- \$598,000 for Adult Protective Services to provide additional petitioning costs and vulnerable protective services; \$828,600 was appropriated to OMB for payments to counties for guardianship services for incapacitated adults;
- \$279,379 for developmental disability corporate guardianship;
- \$1.9 million for an autism waiver and voucher program (HB 1038);
- \$9.6 million to assist critical access hospitals in oil impacted areas (HB 1358); and
- \$4.2 million for child care services and assistance to providers (HB 1422 and SB 2018) and \$300,000 for grants to children's advocacy centers (SB 2356).

Funding that was reduced from the executive recommendation includes:

- \$310,563 for Deputy Director position;

- \$316,000 for Medicaid program integrity contracts;
- \$1.3 million Medicaid grants caseload;
- \$12.0 million long term care grant caseload;
- \$2.0 million DD grant caseload;
- \$320,000 Transition to Independence (TIP) funding at the human service centers;
- \$350,000 State Hospital operating budget;
- \$150,000 Developmental Center operating budget; and
- \$140,000 to demolish buildings at the Developmental Center (the recommendation included \$360,000)

REGULATORY

Insurance Department

The Office of the Insurance Commissioner is the state's insurance regulatory agency. The agency receives no general fund appropriation and is funded primarily from insurance premium taxes. For the 2013-15 biennium, the legislature approved a budget of \$26.4 million from special and federal funds.

The agency is also charged with responsibility to distribute grants to fire protection districts, which are funded from a portion of insurance premium taxes. The Governor signed HB 1145, which more than doubles the state distributions to support local fire protection districts, providing needed funds for equipment and training. Under HB 1145, payments to fire districts will increase from \$7.0 million in the current biennium to \$14.5 million in the 2013-15 biennium.

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 dramatic increase in energy development activity in the state has significantly impacted the operations of this agency. As a result, the executive recommendation included and the legislature approved \$4.3 million to fund an additional 23.69 FTE and related operating expenses to meet the demands of regulating the state's booming energy development activity.

Another significant item included in the Governor's recommendation and approved by the legislature is \$1.0 million in one-time general fund dollars for possible litigation and other administrative proceedings involving the federal government's efforts to regulate hydraulic fracturing. Finally, 5.0 percent of oil extraction taxes deposited in the Resources Trust Fund, up to \$3.0 million per biennium, is allocated to the Renewable Energy Development Fund for renewable energy research development and education.

Public Service Commission

The executive budget repurposed 2.00 FTE from the Weights and Measures program to 1.00 FTE pipeline safety inspector position and 1.00 FTE public utility analyst to address the

needs of increased energy development in the state. The legislature provided the 2.00 new FTE, but only reduced 1.00 FTE from the Weights and Measures program resulting in an increase of 1.00 FTE over the executive recommendation. The legislature also provided \$900,000 for possible reclamation and grain licensing litigation expenses. Of this amount, \$500,000 is from the general fund and \$400,000 is federal funds.

Bank of North Dakota

The executive budget recommended 3.00 new FTE for the Bank of North Dakota, including: a compliance officer to address the increased regulatory demands; a collection officer position to keep student loan delinquency rates at manageable levels; and an additional loan officer to meet the demands of the Bank's growing loan portfolio. These new FTE were approved by the legislature.

ND Housing Finance

The executive recommendation provided for a \$30.0 million general fund transfer to the Housing Incentive Fund for the biennium ending June 30, 2013 to promote affordable housing projects in North Dakota. The legislature decreased the amount to \$15.4 million and changed the timing of this transfer to the 2013-15 biennium. In addition, the Governor's budget included an increase of the allowable tax credits per biennium from \$15.0 million to \$20.0 million in tax credits. The legislature adopted this recommendation.

ND Mill and Elevator

The executive budget recommended and the legislature approved 4.00 new FTE, including: a warehouse shift supervisor, a sales representative, a car checker position, and an IT systems analyst, to meet the demands of increased production. These positions are funded entirely from Mill profits.

Workforce Safety and Insurance

The executive recommendation provided, and the legislature approved, \$1.3 million in special fund authority for 7.00 FTE and related operating expenses to address the increased workload as a result of energy development and construction activity in the state. The new positions include: claims adjuster, claims supervisor, vocational rehabilitation supervisor, medical case manager supervisor, underwriter, compliance officer, and loss control specialist. In addition, the budget authorized the transfer of 4.00 FTE information technology positions and \$753,275 in special fund authority to the Information Technology Department, which results in a net increase of 3.00 FTE for Workforce Safety and Insurance.

PUBLIC SAFETY

Highway Patrol

The Highway Patrol is responsible for law enforcement efforts relating to the safety and protection of the motoring public, including traffic safety enforcement, truck weight enforcement, drug interdiction efforts, and security of our international border.

In addition, the Highway Patrol provides security for the State Capitol and the Legislative Assembly.

The Governor's recommended budget for the Highway Patrol was \$63.6 million, \$49.8 million of which was from the general fund. The final legislative appropriation totaled \$61.0 million, of which \$47.6 million was from the general fund. The Governor's recommendation included an additional 15.00 FTEs, all of which were approved by the Legislative Assembly.

The Governor's recommended budget included \$6.7 million to fund Phase I of the Law Enforcement Training Academy, which includes a driving track and shooting range. The Legislative Assembly reduced that figure to \$5.0 million.

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 4 tribal emergency management organizations.

Governor Dalrymple recommended a budget of \$281.9 million for 2013-15, with \$31.8 million coming from the general fund and the remaining \$250.1 million from federal and other funds. The final legislative appropriation was just 0.3 percent lower, or \$281.0 million. Federal and other fund authority was reduced to \$249.8 million, while the general fund recommendation was reduced by \$645,000, to \$31.2 million.

Public safety is of utmost importance to the Governor. As such, the legislature approved the Governor's recommendation to expand the State Radio Communication Center at Fraine Barracks and to add 4.00 FTE communication specialists to handle the increasing dispatch workload. The appropriation for this expansion is \$1.6 million.

The executive recommendation also included a \$1.5 million investment to purchase equipment needed to close state radio tower communication gaps throughout the state. The legislature reduced this amount to \$1.2 million. The budget for the final phase of the statewide seamless base map project was recommended at \$1.8 million, of which \$1.3 million was from the general fund and \$500,000 from federal funds. As a result of additional federal funds becoming available, the general fund portion of the project was reduced by 50.0 percent, to \$650,000.

Additional investments were recommended and approved to upgrade and maintain critical State Radio electronic equipment and systems, including:

- \$340,000 to upgrade the computer aided dispatch (CAD) system implemented in 2010;
- \$150,000 to update the voice incident recorder; and
- \$210,000 to replace the water-based fire suppression system that protects the dispatcher center equipment with a chemical-based system.

Initiatives to support the core operations of the Office of the Adjutant General recommended by the Governor and unchanged by the legislature include:

- \$360,000 for increased maintenance and repair costs for new state radio towers;

- \$400,000 from the state Disaster Relief Fund (DRF) for contracted volunteer disaster coordination services;
- \$600,000 to continue the Veterans Bonus program; and
- \$1.5 million of DRF funds for contracted disaster recovery planning and technical services.

Other changes or additions to the proposed budget include the following:

- \$110,000 was recommended and approved to continue providing full tuition reimbursement to eligible guard soldiers. The Legislative Assembly provided \$375,000 for tuition assistance if the National Guard receives a new assignment in association with the Grand Forks Air Force Base;
- \$50,000 for the writing, publishing, and distribution of a book of all veterans having a relationship with the state; and
- \$25,000 to cover the operations of the statewide interoperability executive committee established in 2013 SB 2353.

Department of Corrections and Rehabilitation

The Department of Corrections and Rehabilitation manages three correctional institutions for adult male inmates, a juvenile facility, a contract for housing adult female offenders, the state's parole and probation program, and numerous transition programs. The department ensures public safety while providing educational, addiction treatment, and other programming for offenders. For the 2013-15 biennium, the legislature approved a budget of \$217.1 million, of which \$180.9 million is from the general fund.

The prison expansion project, authorized by the 2009 legislature, will be completed during the 2011-13 biennium. The approved budget includes an additional 14.00 FTE positions to staff the new facility and another 6.00 FTE parole officers to address the growing number of inmates under supervision. The 2013-15 budget includes \$21.2 million to contract with private entities, county jails, and the State Hospital for treatment and transition programming. Contract rates are increased 3.0 percent per year for most programs. Despite increases in daily rates and the number of inmates, the total budget for contracted housing is decreased for the 2013-15 biennium due to the elimination of the need to contract for general housing beds with county jails once the new prison is fully operational.

Because the expanded prison will continue to house only male inmates, female inmates will continue to be housed through the department's contract with the Dakota Women's Correctional and Rehab Center (DWCRC). Funding for the contract with the DWCRC is increased by 6.0 percent, or \$507,521, to \$9.0 million for the 2013-15 biennium. The department's contract with the DWCRC provides for the secure housing of all state adult female inmates.

The legislature approved the executive recommendation to provide \$2.3 million for extraordinary repair projects, \$349,950 for a flood mitigation project at the Missouri River Correctional Center, and \$552,900 for equipment purchases. In addition, the legislature approved \$400,000 for replacement of antiquated cell locks in the West cell house. The legislature also provided \$200,000 to be used for a study of the feasibility and desirability of relocating the Missouri River Correctional Center (MRCC) to land adjacent to the Youth Correctional Center and to study possible uses for the MRCC land. The 2013 legislature adopted HB 1302, which increases the duration of incarceration

and probation requirements for DUI offenses. As a result, the legislature added \$3.0 million for potential costs to the department for contracting to house additional inmates and for additional DUI programming and addiction treatment. The legislature also added \$4.9 million of special fund authority for Roughrider Industries, the DOCR prison industries program, to cover the costs of a general issuance of license plates, as provided in SB 2012.

AGRICULTURE / ECONOMIC DEVELOPMENT

Department of Commerce

The North Dakota Department of Commerce includes six major programs: Community Services, Economic Development and Finance, Commerce Administration, North Dakota Tourism, Office of Innovation and Entrepreneurship, and Workforce Development. An International Business and Trade Office and the Office of Renewable Energy and Energy Efficiency also reside within the agency.

The Governor recommended a \$124.5 million budget for the Department of Commerce comprised of \$56.3 from the state general fund, \$54.2 million in federal funds, and \$14.0 million from special funds. Legislative changes added \$8.1 million to the Governor's general fund proposal. The resulting legislative appropriation totals \$139.8 million, of which \$64.5 million is from the general fund and the remaining \$75.3 million from other funds. This represents a 32.1 percent increase in state general funds from the 2011-13 biennial budget.

Office of Innovation and Entrepreneurship

Governor Dalrymple recommended and legislature approved investing \$12.0 million in Research North Dakota (RND) which will grow and diversify the state's economy by commercializing technologies, including biotechnology. Funds will be directed into the following research areas:

- \$6.0 million for the general RND program;
- \$4.0 million for biotechnology-focused grants; and
- \$2.0 million for RND Venture grants to startup or spinoff businesses for commercialization of technology developed by a North Dakota research university or private sector company.

Other approved initiatives include:

- \$450,000, an increase of \$50,000, for the Innovate ND program that assists new and existing entrepreneurs with ideas for product or service innovations;
- \$300,000 for grants to entrepreneurial centers throughout the state; and
- \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center in Bismarck funded from carryover from the technology-based entrepreneurship grant program.

Economic Development & Finance

Governor Dalrymple recommended and the legislature approved a total appropriation of \$5.0 million to pursue and develop a national unmanned aerial system (UAS) test site in North Dakota. Of the funding package, \$4.0 million in operational funding is contingent on the Federal Aviation Administration's selection of a North Dakota test site.

The legislature also agreed with the Governor's recommendation to provide \$3.2 million for the Agricultural Products Utilization Commission (APUC) to provide grants to aid in the development of new and expanded uses of North Dakota's agricultural products. The budget consists of \$1.7 million from the APUC fund that receives 5.0 percent of the State Mill and Elevator's annual profits; \$1.2 million from the state general fund; and \$300,000 from federal grants.

Additionally, the Legislative Assembly provided \$2.5 million from the Strategic Investment and Improvement Fund for an enhanced use lease agreement at the Grant Forks Air Force Base.

North Dakota Division of Tourism

The legislature approved the Governor's recommendation to provide an additional \$1.5 million to enhance tourism-related marketing and research for the state. A second recommendation to establish a one-time \$1.3 million tourism infrastructure grant program aimed at expanding tourism opportunities within the state was approved, but was reduced to \$750,000.

Workforce Development

The recommended transfer of \$2.0 million to the Workforce Enhancement Fund was authorized for grants to public two-year colleges to create or enhance training programs. In an effort to address the workforce needs of the state and improve employment levels on Indian reservations, the Legislative Assembly established a \$5.0 million Workforce Development Grant program. Tribally controlled community colleges may apply for grants to develop certificate or degree programs in fields with job openings within the state.

Operation Intern, a program that provides matching funds for internships and cooperative work experiences with North Dakota companies, increased by nearly 67.0 percent when the legislature authorized the recommended program budget of \$1.5 million, which is \$600,000 more than the current level.

To address the effects of oil and gas and related economic development activities, the Legislative Assembly appropriated \$2.0 million from the Strategic Investment and Improvements Fund for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities that are located in oil-producing counties.

Another \$400,000 was added for matching grants to organizations that assist in the recruitment, distribution, supply, quality, and efficiency of personnel providing health services in rural areas of the state. The rural health services grants require a dollar-for-dollar match from non-state funding sources.

Community Services

As recommended by the Governor, a new Energy Conservation Grant fund was created that will provide grants of up to \$100,000 to political subdivisions for energy conservation projects in nonfederal public buildings. Approved projects require a dollar-for-dollar match and must have a payback period of ten years or less. One-half of one percent of the oil extraction revenues credited to the Resources Trust Fund will be transferred into this new grant fund, up to a maximum of \$1.2 million each biennium. The Governor's recommendation did not include a cap and would have provided approximately \$2.7 million per biennium.

The executive recommendation included \$5.0 million for statewide program for grants to political subdivisions for new or

expanded childcare facilities and to purchase equipment. The maximum grant available is \$187,500 and requires a one dollar of matching funds for every three state dollars received. The Legislative Assembly reduced program funding to \$2.6 million.

The Legislative Assembly provided \$2.0 million for grants to homeless shelters due to increasing pressures on these facilities.

Also provided was \$18.4 million federal authority for community disaster block grants received as a result of the 2011 flood disaster. Approximately \$800,000 of federal spending authority was authorized for completion of ARRA stimulus grant programs.

Office of the Commissioner of Agriculture

The Agriculture Commissioner's office is comprised of six divisions: Administration, Plant Industries, Marketing and Information, Animal Health, State Veterinarian, Livestock Development, and Pesticides and Fertilizer. Multiple agriculture-related programs are administered by the agency, including: Pride of Dakota, Board of Animal Health, Crop Harmonization Board, Wildlife Services, State Meat Inspection, Noxious Weeds Management, Agriculture in the Classroom, and Project Safe Send.

The Governor recommended for the Commissioner of Agriculture a total appropriation of \$24.7 million of which \$9.5 million was from the general fund and \$15.2 million from federal and special funds. The legislature approved a total budget of \$25.3 million with \$9.5 million from the general fund and \$15.8 million from special and federal funds.

Governor Dalrymple's recommended budget included, and the Legislative Assembly approved, the following proposals:

- \$114,664 for an emergency program specialist and related operating expenses to enable proactive disaster response planning, more effective mobilization of agency resources, and enhanced coordination with federal, state and local emergency organizations;
- \$112,975 from the Environmental and Rangeland Protection (ERP) Fund for a livestock development administrative assistant, utilizing a vacant FTE;
- \$64,596 to fund 50.0 percent of an existing marketing specialist position to support the increasing needs of state-sponsored programs;
- \$30,000 to enhance the State Veterinarian's ability to proactively detect and monitor animal disease occurrences and to prevent disease introductions; and
- \$24,574 for 20.0 percent of the existing livestock pollution prevention coordinator's work on the North Dakota Verified Livestock program.

Additionally, the legislature made various additions and changes to the budget recommendation, including:

Environmental and Rangeland Protection Fund

- Authorized statutory changes to deposit commercial feed license, inspection and registration fees into the ERP fund rather than the general fund. As a result, 2013-15 general fund revenues are estimated to decrease by \$727,500;
- Shifted expenditures for Wildlife Services (\$384,400) and the Board of Animal Health (\$100,000) from Game and Fish funds to the ERP fund;

- Provided a \$325,000 transfer from ERP into the Minor Use Pesticide fund, which is \$125,000 higher than recommended by the governor;

Wildlife Services

- Approved the governor's recommendation of \$1.4 million for Wildlife Services, but changed the funding sources. The legislature reduced the level of Game and Fish funds by 50.0 percent to \$384,400, and added \$384,400 from the ERP fund. The budget also includes \$398,600 from the general fund and \$250,000 from the State Water Commission;

Administration

- Appropriated \$100,000 for the increasing workload due to energy development mediation;
- Provided \$96,000 for full-time desktop support services;

Marketing and Information

- Authorized \$80,000 for research and promotion of the state's grape and wine industry; and,

Livestock Development

- Added \$15,000 to replace federal funds for the Livestock Auction Market News.

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

The Legislative Assembly approved a \$230.9 million appropriation for the Upper Great Plains Transportation Institute (UGPTI), Northern Crops Institute (NCI), the Extension Service and the Research Centers, which represents a 9.6

percent increase above the 2011-13 biennium. State general fund dollars comprise \$111.2 million of the biennial budget and are \$11.2 million more than the previous biennium.

In total, the Legislative Assembly added \$2.0 million to the Governor's recommended 2013-15 budget, an increase of 0.9 percent. The general fund budget was increased by \$2.9 million, while the special fund authority was decreased by \$890,000.

The Governor's recommendation included and the legislature approved \$750,000 in ongoing funds for the UGPTI to match federal grants awarded to the agency. The legislature also provided \$1.3 million in one-time matching funds.

Governor Dalrymple recommended investing \$4.3 million to construct new agronomy laboratories at the Carrington and Hettinger Research Extension Centers (REC). The legislature added \$1.6 million for labs at the Central Grasslands and Langdon RECs. The Legislative Assembly approved the Governor's recommendation for a \$1.9 million project, of which \$500,000 was from the general fund, to enhance the Extension Service's 4-H camp near Washburn, and increased the general fund portion to \$950,000. The remaining \$950,000 will be funded through donations and gifts.

In addition to funding ongoing research and extension operations, the Governor's recommended budget provided \$4.8 million from the general fund to support the top research priorities of the State Board for Agriculture Research and Education. Major general fund components of the executive budget that were approved by the legislature include:

- \$1.8 million and 3.00 FTE to enhance crop development and crop protection efforts;

- \$1.2 million and 4.00 FTE to increase statewide research capacity at the RECs;
- \$800,000 for the Dickinson Research Center to replace decreasing oil revenues;
- \$370,000 and 1.00 FTE for further development of the state's livestock industry;
- \$250,000 for Extension agents-in-training and summer internships;
- \$150,000 and 1.00 FTE for extension crop protection efforts, which is \$260,000 less than recommended by the governor;
- \$400,000 to replace outdated equipment at the Veterinary Diagnostic Laboratory;
- \$110,000 for video conference equipment replacement at the Extension centers; and
- \$75,000 to enhance technical assistance grants to soil conservation districts. This was increased to \$150,000 by the legislature.

The Legislative Assembly increased the Governor's recommendation by \$372,000 for the following initiatives:

- \$140,000 for an animal science position at the Main Research center;
- \$125,000 to enhance the Rural Leadership program;
- \$82,000 to study flooded agricultural production lands; and
- \$25,000 for Junior Master Gardener internships in Burleigh County.

ND State Fair

The Governor's budget included \$3.5 million in one-time general fund dollars to repair flood damage that occurred on

the state fairgrounds during the 2011 Mouse River flood event, which includes an asphalt overlay on the fair grounds and replacing gravel on parking lots. The legislature reduced this amount to \$2.7 million.

NATURAL RESOURCES / TRANSPORTATION

Historical Society

The mission of the Historical Society is to preserve and interpret North Dakota's history. For the 2013-15 biennium, the legislature approved a budget of \$18.7 million, of which \$15.5 million is from the general fund.

The legislature approved the Governor's recommendation to authorize 6.00 new FTE positions to provide staffing necessary for the operation of the expanded Heritage Center, the final phase of which is expected to be completed by November 2014. New positions include a technology coordinator, exhibit and collections specialist, education programs developer, multimedia/web developer, visitor services security officer, and archives specialist.

The legislature removed recommended appropriations of over \$450,000 for items such as traveling exhibits to be displayed in the new Governor's Gallery, events relating to the celebration of the state's 125th anniversary of statehood, historic site exhibits, and the proposed technology coordinator position. In place of these appropriations for specific purposes, the legislature approved a \$950,000 appropriation and gave the agency authority to determine its use. The agency must report to the Budget Section on or before July 1, 2014 regarding the

use of the funding pool. Although use of the pool can be determined by the agency, the legislature specified that allowable uses include: repairs to the old Stutsman County courthouse, purchase and operation of the Lawrence Welk homestead, repairs to the Fort Totten infirmary building, and celebration of the state's 125th anniversary of statehood.

The legislature approved the executive recommendation to provide \$150,000 to complete development of new 8th grade curriculum for North Dakota Studies. The legislature also agreed to continue the cultural heritage grant program at \$504,500 for the 2013-15 biennium.

Game and Fish Department

The Game and Fish Department manages publicly owned wildlife resources for the State of North Dakota. Agency funding comes from a combination of federal funds and fees from hunting and fishing license sales. For the 2013-15 biennium, the legislature approved a budget of \$67.6 million from federal and special funds.

A key initiative of the department has been the expansion of public hunting access on private land. The legislature continued the focus on this initiative and agreed with the Governor's recommendation to appropriate \$12.8 million for the department's land habitat and deer depredation line item, which includes \$8.1 million for rental and lease payments to landowners.

The legislature reduced the Game and Fish Department support for the federal Wildlife Services agency and the State Board of Animal Health. Grants to support the federal Wildlife Services agency were reduced from \$768,800 to \$384,400.

Grants to support the Department of Agriculture's Board of Animal Health were reduced from \$200,000 to \$100,000. The legislature did not change the executive recommendation to increase grants to support the Garrison Dam Fish Hatchery from \$520,000 to \$914,000. The legislature also continued grants to support boat ramp operation and maintenance at state parks at \$122,000 for the 2013-15 biennium. In addition to the grants included in the executive recommendation, the legislature provided a \$300,000 grant to support community shooting range projects.

The 2013 legislature passed SB 2231 which increases hunting license fees and is expected to generate an additional \$5.4 million in revenue for the department during the 2013-15 biennium and an additional \$10.8 million during the 2015-17 biennium.

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. For the 2013-15 biennium, the legislature approved a budget of \$29.6 million, of which \$17.8 million is from the general fund, for the operation, maintenance, and improvement of the state park system. In addition, the legislature appropriated \$2.2 million to the department for distribution to the International Peace Garden.

To preserve and improve the state's park system, the legislature approved over \$3.7 million for capital projects at various parks, including the following:

- \$1.0 million for road maintenance and repair projects, primarily at Lake Metigoshe State Park;

- \$775,000 to purchase docks and equipment to operate the marina at Lake Sakakawea State Park;
- \$750,000 to construct a visitors' center at Fort Stevenson State Park;
- \$200,000 for interpretive exhibits at the expanded visitors' center at Icelandic State Park;
- \$520,000 for an expansion of the campground at Lewis and Clark State Park; and
- \$500,000 for replacement of a comfort station at Lake Sakakawea State Park.

Nearly \$1.1 million is provided for extraordinary repairs, \$875,000 for regular, ongoing repairs, and \$182,800 from special funds for one-time repair projects. In addition, \$800,000 is provided to replace aging equipment used to maintain the park and trail system, \$50,000 more than the amount included in the executive budget. The 2013 legislature appropriated \$500,000 for a community grant program to provide cost share grants to assist communities in constructing parks facilities, \$100,000 more than the amount included in the executive budget.

The legislature added two significant items not included in the executive budget for the Parks and Recreation Department. The 2013 legislature added \$1.4 million for a grant to the Lewis and Clark interpretive center to assist in completion of its expansion project. The legislature also added \$300,000 for an initiative in the Pembina Gorge area. The funding is to be used by the department to rent space, develop a plan for monitoring and patrolling the trail systems, and determine the feasibility of establishing an interpretive center in the Pembina Gorge area.

The 2013 legislature approved the Governor's recommendation to increase the state grant to support the operations of the

International Peace Garden from \$773,699 to \$973,699 for the 2013-15 biennium. In addition, the legislature appropriated \$1.3 million for capital projects at the Peace Garden. Up to \$125,000 can be used for an engineering study of the Peace Tower monument at the Peace Garden. The remaining funding of over \$1.1 million is available to the Peace Garden for capital projects, if equal matching funds are raised from non-state sources.

State Water Commission

The State Water Commission (SWC) is the state agency charged with regulating and developing the state's water resources. Regulatory functions include water rights, drainage, floodplain management, and dam safety. The SWC is also responsible for large state water development projects, such as flood control and water supply projects. In addition, the SWC provides cost-share assistance for many local projects including dams, dikes, drains, and water supplies.

The Governor's recommended budget for the State Water Commission was \$827.1 million, with \$17.8 million from the general fund. The Governor also recommended an additional 3.00 FTEs, which were approved by the Legislative Assembly. The Legislative Assembly appropriated \$859.0 million to the State Water Commission. The recommended general fund appropriation was changed to be funded from the Resources Trust Fund.

The Legislative Assembly appropriated \$515.0 million to the SWC for water related projects, such as Community Water Facility Revolving Loan Fund, Devils Lake flood control, Fargo flood control, Mouse River flood control, Sheyenne River flood control, Dam Safety, Irrigation, Fargo water supply, Northwest

Area Water Supply, Red River Valley water supply, Southwest Pipeline Project, Western Area Water Supply, Weather Modification, and other water programs. Finally, the Legislative Assembly added intent language that the state will provide 50.0 percent of the local cost share of constructing a federally authorized Fargo flood control project and this funding cannot exceed \$450.0 million.

Department of Transportation

The Department of Transportation (DOT) oversees the development of surface transportation in the state including highways, rail service, and transit services. Increased oil and gas production in North Dakota has had a significant impact on the state's infrastructure. Oil and gas exploration and production rely heavily on the state's roads to move drilling rigs, supplies, water, and produced oil and gas, which have taken a toll on state, county, and township roads.

In addition, weather-related damage has caused serious deterioration to roads across the state. To address the need to make immediate repairs and improvements to infrastructure at the state and local levels, an unprecedented \$2.257 billion was appropriated for roadway investments. The following chart summarizes Department of Transportation roadway funding for the 2013-15 biennium:

Funding	West Region (in millions)	Central & East Regions (in millions)	Total (in millions)
State Funds for State Highways - SB 2012/SB 2176	\$1,161.6		\$1,161.6
STIP (2013 -14) - SB 2012 (Fed funds, state/local match)	148.8	\$450.0	598.8
ER Carryover (from 2011-13 biennium) – SB 2012	31.1	77.0	108.1
State Funds Non-Oil Producing Counties - SB 2176		100.0	100.0
State Funds Non-Oil Producing Counties - HB 1358		120.0	120.0
State Funds Oil Producing Counties - HB 1358	160.0		160.0
State Funds Oil Impact Township Roads - HB 1358	8.8		8.8
Total 2013-15 Biennium	\$1,510.3	\$747.0	\$2,257.3

Finally, the 2013 legislature also approved a \$6.8 million general fund appropriation for a general license plate issuance.

CAPITAL ASSETS

The capital budget summarizes the 2013-15 biennium legislative appropriation for state investments in capital assets. The term "capital assets" refers to expenditures for: capital projects, extraordinary repairs, other capital payments, equipment over \$5,000 and information technology (IT) equipment and software over \$5,000. The appropriations for capital assets are summarized on the following pages.

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 – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
108 Secretary of State	\$0	\$0	\$0	\$10,000	\$1,000,000	\$1,010,000
General Fund				10,000		10,000
Federal Funds					1,000,000	1,000,000
Special Funds						
110 Office of Management and Budget	\$0	\$8,948,793	\$665,143	\$137,000	\$110,000	\$9,860,936
General Fund		8,948,793	665,143	67,000		9,680,936
Federal Funds						
Special Funds				70,000	110,000	180,000
112 Information Technology	\$0	\$8,111	\$5,406,666	\$252,500	\$10,321,500	\$15,988,777
General Fund		8,111			630,000	638,111
Federal Funds					600,000	600,000
Special Funds			5,406,666	252,500	9,091,500	14,750,666
117 Office of the State Auditor	\$0	\$40,000	\$0	\$0	\$0	\$40,000
General Fund		40,000				40,000
Federal Funds						
Special Funds						
125 Office of the Attorney General	\$0	\$0	\$765,882	\$1,587,225	\$10,000	\$2,363,107
General Fund			765,882	198,000		963,882
Federal Funds				650,825		650,825
Special Funds				738,400	10,000	748,400
127 Office of State Tax Commissioner	\$0	\$0	\$0	\$50,000	\$16,000	\$66,000
General Fund					16,000	16,000
Federal Funds				50,000		50,000
Special Funds						
150 Legislative Assembly	\$0	\$0	\$0	\$500,000	\$800,000	\$1,300,000
General Fund				500,000	800,000	1,300,000
Federal Funds						
Special Funds						
160 Legislative Council	\$0	\$0	\$0	\$41,500	\$0	\$41,500
General Fund				41,500		41,500
Federal Funds						
Special Funds						

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
180 Judicial Branch	\$0	\$0	\$0	\$331,470	\$516,556	\$848,026
General Fund				331,470	516,556	848,026
Federal Funds						
Special Funds						
188 Legal Counsel for Indigents	\$0	\$0	\$0	\$0	\$14,420	\$14,420
General Fund					14,420	14,420
Federal Funds						
Special Funds						
215 ND University System	\$5,483,413	\$10,000,000	\$10,436,045	\$0	\$0	\$25,919,458
General Fund	5,483,413	10,000,000	10,436,045			25,919,458
Federal Funds						
Special Funds						
226 State Land Department	\$0	\$0	\$0	\$10,000	\$0	\$10,000
General Fund						
Federal Funds						
Special Funds				10,000		10,000
227 Bismarck State College	\$19,300,000	\$207,673	\$210,000	\$0	\$0	\$19,717,673
General Fund	12,635,000	207,673	210,000			13,052,673
Federal Funds						
Special Funds	6,665,000					6,665,000
228 Lake Region State College	\$5,650,184	\$155,367	\$0	\$0	\$0	\$5,805,551
General Fund	5,650,184	155,367				5,805,551
Federal Funds						
Special Funds						
229 Williston State College	\$15,840,354	\$197,801	\$0	\$0	\$0	\$16,038,155
General Fund	13,340,354	197,801				13,538,155
Federal Funds						
Special Funds	2,500,000					2,500,000
230 University of North Dakota	\$169,087,262	\$4,504,321	\$97,245	\$0	\$0	\$173,688,828
General Fund	72,600,000	4,504,321	97,245			77,201,566
Federal Funds						
Special Funds	96,487,262					96,487,262

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
235 North Dakota State University	\$67,939,356	\$2,732,244	\$0	\$0	\$0	\$70,671,600
General Fund	28,120,000	2,732,244				30,852,244
Federal Funds	660,000					660,000
Special Funds	39,159,356					39,159,356
238 ND State College of Science	\$9,435,879	\$953,713	\$58,666	\$0	\$0	\$10,448,258
General Fund	8,085,879	953,713	58,666			9,098,258
Federal Funds						
Special Funds	1,350,000					1,350,000
239 Dickinson State University	\$6,000,000	\$409,078	\$0	\$0	\$0	\$6,409,078
General Fund	6,000,000	409,078				6,409,078
Federal Funds						
Special Funds						
240 Mayville State University	\$7,663,650	\$279,297	\$79,695	\$0	\$0	\$8,022,642
General Fund	7,663,650	279,297	79,695			8,022,642
Federal Funds						
Special Funds						
241 Minot State University	\$13,532,595	\$899,620	\$0	\$0	\$0	\$14,432,215
General Fund	1,730,810	899,620				2,630,430
Federal Funds						
Special Funds	11,801,785					11,801,785
242 Valley City State University	\$8,741,990	\$658,319	\$0	\$0	\$0	\$9,400,309
General Fund	3,935,153	658,319				4,593,472
Federal Funds						
Special Funds	4,806,837					4,806,837
243 Dakota College at Bottineau	\$8,746,109	\$115,507	\$0	\$0	\$0	\$8,861,616
General Fund	1,145,320	115,507				1,260,827
Federal Funds						
Special Funds	7,600,789					7,600,789
244 North Dakota Forest Service	\$785,000	\$44,962	\$0	\$56,248	\$0	\$886,210
General Fund	785,000	44,962		56,248		886,210
Federal Funds						
Special Funds						

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
252 School for the Deaf	\$0	\$1,128,521	\$0	\$22,500	\$43,000	\$1,194,021
General Fund		126,262				126,262
Federal Funds						
Special Funds		1,002,259		22,500	43,000	1,067,759
253 ND Vision Services	\$0	\$3,318,000	\$0	\$6,400	\$0	\$3,324,400
General Fund		3,227,871				3,227,871
Federal Funds						
Special Funds		90,129		6,400		96,529
301 ND Department of Health	\$0	\$319,350	\$642,688	\$1,229,250	\$33,000	\$2,224,288
General Fund		55,528	457,380	274,000		786,908
Federal Funds		263,822	185,308	651,087	9,000	1,109,217
Special Funds				304,163	24,000	328,163
305 Tobacco Prevention and Control	\$0	\$0	\$0	\$0	\$6,500	\$6,500
General Fund						
Federal Funds						
Special Funds					6,500	6,500
313 Veterans Home	\$788,200	\$1,142,000	\$408,840	\$71,200	\$0	\$2,410,240
General Fund		581,500				581,500
Federal Funds	788,200					788,200
Special Funds		560,500	408,840	71,200		1,040,540
325 Department of Human Services	\$0	\$2,631,008	\$0	\$440,413	\$216,160	\$3,287,581
General Fund		2,631,008		440,413		3,071,421
Federal Funds					216,160	216,160
Special Funds						
360 Protection and Advocacy	\$0	\$0	\$0	\$0	\$11,824	\$11,824
General Fund					11,824	11,824
Federal Funds						
Special Funds						
380 Job Service North Dakota	\$0	\$0	\$20,000	\$0	\$0	\$20,000
General Fund						
Federal Funds			20,000			20,000
Special Funds						

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
401 Insurance Department	\$0	\$0	\$0	\$0	\$70,000	\$70,000
General Fund						
Federal Funds					50,000	50,000
Special Funds					20,000	20,000
405 Industrial Commission	\$0	\$0	\$0	\$5,800	\$0	\$5,800
General Fund				5,800		5,800
Federal Funds						
Special Funds						
408 Public Service Commission	\$0	\$0	\$0	\$28,000	\$60,665	\$88,665
General Fund				10,080	60,665	70,745
Federal Funds				17,920		17,920
Special Funds						
412 Aeronautics Commission	\$0	\$330,000	\$0	\$60,000	\$0	\$390,000
General Fund						
Federal Funds		277,600				277,600
Special Funds		52,400		60,000		112,400
471 Bank of North Dakota	\$0	\$0	\$0	\$250,000	\$495,000	\$745,000
General Fund						
Federal Funds						
Special Funds				250,000	495,000	745,000
504 Highway Patrol	\$5,000,000	\$121,000	\$0	\$150,000	\$0	\$5,271,000
General Fund	4,350,000	105,000		131,000		4,586,000
Federal Funds						
Special Funds	650,000	16,000		19,000		685,000
530 Dept of Corrections and Rehabilitation	\$349,950	\$2,779,446	\$1,289,450	\$1,852,900	\$652,900	\$6,924,646
General Fund	349,950	2,679,446	1,289,450	254,900	652,900	5,226,646
Federal Funds						
Special Funds		100,000		1,598,000		1,698,000
540 Adjutant General	\$23,170,000	\$8,000,000	\$178,632	\$2,120,240	\$1,560,000	\$35,028,872
General Fund	1,170,000		178,632	1,438,240	1,060,000	3,846,872
Federal Funds	22,000,000	8,000,000		682,000	500,000	31,182,000
Special Funds						

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
601 Department of Commerce	\$0	\$0	\$0	\$10,000	\$0	\$10,000
General Fund						
Federal Funds				10,000		10,000
Special Funds						
602 Department of Agriculture	\$0	\$0	\$0	\$12,000	\$0	\$12,000
General Fund						
Federal Funds						
Special Funds				12,000		12,000
627 Upper Great Plains Transportation Institute	\$0	\$0	\$0	\$0	\$200,000	\$200,000
General Fund						
Federal Funds						
Special Funds					200,000	200,000
628 Branch Research Centers	\$0	\$0	\$149,629	\$1,946,429	\$0	\$2,096,058
General Fund			149,629	500,000		649,629
Federal Funds						
Special Funds				1,446,429		1,446,429
630 NDSU Extension Service	\$1,900,000	\$0	\$0	\$0	\$110,000	\$2,010,000
General Fund	950,000				110,000	1,060,000
Federal Funds						
Special Funds	950,000					950,000
638 Northern Crops Institute	\$0	\$0	\$0	\$297,850	\$0	\$297,850
General Fund				138,780		138,780
Federal Funds						
Special Funds				159,070		159,070
640 NDSU Main Research Center	\$5,925,000	\$1,340,465	\$421,772	\$5,402,259	\$0	\$13,089,496
General Fund	5,925,000	1,340,465	421,772	900,000		8,587,237
Federal Funds						
Special Funds				4,502,259		4,502,259

Capital Assets Appropriations by Category – 2013-15

Agency	Capital Projects	Extraordinary Repairs	Other Capital Payments	Equipment Over \$5000	IT Equipment & Software Over \$5000	Total
649 Agronomy Seed Farm	\$0	\$0	\$0	\$278,000	\$0	\$278,000
General Fund						
Federal Funds						
Special Funds				278,000		278,000
665 ND State Fair	\$0	\$2,750,000	\$0	\$0	\$0	\$2,750,000
General Fund		2,750,000				2,750,000
Federal Funds						
Special Funds						
701 Historical Society\1	\$0	\$309,721	\$1,359,004	\$81,000	\$0	\$1,749,725
General Fund		309,721	1,359,004	81,000		1,749,725
Federal Funds						
Special Funds						
720 Game and Fish Department	\$150,000	\$1,527,041	\$1,935,000	\$625,220	\$27,000	\$4,264,261
General Fund						
Federal Funds	150,000	776,183	400,000	412,215		1,738,398
Special Funds		750,858	1,535,000	213,005	27,000	2,525,863
750 Parks and Recreation Department	\$3,705,000	\$1,057,894	\$73,627	\$810,000	\$0	\$5,646,521
General Fund	2,917,500	875,094	73,627	510,000		4,376,221
Federal Funds	200,000					200,000
Special Funds	587,500	182,800		300,000		1,070,300
770 State Water Commission	\$0	\$0	\$236,657,281	\$313,200	\$28,000	\$236,998,481
General Fund						
Federal Funds						
Special Funds			236,657,281	313,200	28,000	236,998,481
801 Department of Transportation	\$6,397,400	\$6,000,000	\$1,756,755,490	\$45,644,817	\$213,500	\$1,815,011,207
General Fund			541,000,000	4,500,000		545,500,000
Federal Funds			543,322,442	250,280		543,572,722
Special Funds	6,397,400	6,000,000	672,433,048	40,894,537	213,500	725,938,485
Total All Agencies	\$385,591,342	\$62,909,252	\$2,017,610,755	\$64,633,421	\$16,516,025	\$2,547,260,795
General Fund	182,837,213	44,836,701	557,242,170	10,388,431	3,872,365	799,176,880
Federal Funds	23,798,200	9,317,605	543,927,750	2,724,327	2,375,160	582,143,042
Special Funds	178,955,929	8,754,946	916,440,835	51,520,663	10,268,500	1,165,940,873

\1 Historical Society Priority Funding Pool - In addition to the amounts shown, the 2013 legislature provided a \$950,000 appropriation for various capital projects, extraordinary repairs, and other expenses to be determined by the agency.

CAPITAL PROJECTS

Capital projects are expenditures for land, new construction, additions, renovations, restorations and demolitions of buildings and infrastructure. For each approved capital project, the appropriated amount, project description and anticipated operating and staffing costs for the upcoming biennium are provided on the following pages.

Capital Projects Appropriations – 2013-15

Agency	Capital Project	Total	General Fund	Federal Funds	Special Funds
215 ND University System	Capital Projects Contingency Pool	5,483,413	5,483,413		
	Total	\$5,483,413	\$5,483,413	\$0	\$0
227 Bismarck State College	Communications and Creative Arts Center	19,300,000	12,635,000		6,665,000
	Total	\$19,300,000	\$12,635,000	\$0	\$6,665,000
228 Lake Region State College	Erlandson Technical Center Remodel	\$5,650,184	\$5,650,184	\$0	\$0
229 Williston State College	Stevens Hall Renovation	11,630,354	11,630,354		0
	Campus Drive	1,710,000	1,710,000		0
	Workforce Training Building	2,500,000	0		2,500,000
	Total	\$15,840,354	\$13,340,354	\$0	\$2,500,000
230 University of North Dakota	SoMHS Renovation / Addition	60,450,000	60,450,000		
	Law School Renovation	11,400,000	11,400,000		
	SoMHS Family Practice Center Skywalk	750,000	750,000		
	COBPA Renovation & Addition	20,500,000			20,500,000
	Indoor Track and Football Practice Field	19,500,000			19,500,000
	Resident Apartment Building	8,300,000			8,300,000
	Student Housing Facility	19,187,262			19,187,262
	Wilkerson Hall Renovation and Addition	29,000,000			29,000,000
	Total	\$169,087,262	\$72,600,000	\$0	\$96,487,262
235 North Dakota State University	STEM Classroom and Laboratory Building	28,120,000	28,120,000		
	Low Rise Lavatory Renovation - Phase I	1,000,000			1,000,000
	Low Rise Lavatory Renovation - Phase II	1,030,000			1,030,000
	Memorial Union Food Court	975,000			975,000
	Nutrition Dietetics and Hospitality Lab	750,000			750,000
	Center for Computationally Assisted Science and Technology Upgrades	660,000		660,000	
	Sanford Health Athletic Complex (formerly Bison Sports Arena)	35,404,356			35,404,356
	Total	\$67,939,356	\$28,120,000	\$660,000	\$39,159,356
238 ND State College of Science	Old Main Renovation	8,085,879	8,085,879		
	Football Complex Renovation	1,350,000			1,350,000
	Total	\$9,435,879	\$8,085,879	\$0	\$1,350,000
239 Dickinson State University	Theodore Roosevelt Presidential Library	6,000,000	6,000,000		
	Total	\$6,000,000	\$6,000,000	\$0	\$0
240 Mayville State University	Old Gymnasium / Health Education Building	5,510,000	5,510,000		
	Campus-wide Drainage Improvements	2,153,650	2,153,650		
	Total	\$7,663,650	\$7,663,650	\$0	\$0
241 Minot State University	Plant Services Building	1,732,595	1,730,810		1,785
	Renovation of Campus Athletic Facilities	11,800,000			11,800,000
	Total	\$13,532,595	\$1,730,810	\$0	\$11,801,785

Capital Projects Appropriations – 2013-15

Agency	Capital Project	Total	General Fund	Federal Funds	Special Funds
242 Valley City State University	Hillside Slope Stabilization	580,510	480,510		100,000
	Vangstad Hall Renovation	3,454,643	3,454,643		
	WE Osmon Fieldhouse Addition Phase II	4,706,837			4,706,837
	Total	\$8,741,990	\$3,935,153	\$0	\$4,806,837
243 Dakota College at Bottineau	Campus Backup Generator	375,820	375,820		
	Thatcher Hall Heating Upgrades	769,500	769,500		
	Gross Hall Update	732,460			732,460
	Mead Hall Update	1,171,586			1,171,586
	Milligan Hall Remodel	896,743			896,743
	Old Main Remodel	4,800,000			4,800,000
	Total	\$8,746,109	\$1,145,320	\$0	\$7,600,789
244 Forest Service	Nursery Freezer Conversion and Shop Facility	\$785,000	\$785,000	\$0	\$0
313 Veterans Home	Workshop Addition	\$788,200	\$0	\$788,200	\$0
504 Highway Patrol	Training Facility Phase I	\$5,000,000	\$4,350,000	\$0	\$650,000
530 Dept of Corrections and Rehabilitation	MRCC Flood Hazard Mitigation	\$349,950	\$349,950		
540 Adjutant General	100% Federal Construction	22,000,000		22,000,000	
	State Radio Expansion	960,000	960,000		
	State Radio Fire Suppression	210,000	210,000		
	Total	\$23,170,000	\$1,170,000	\$22,000,000	\$0
	630 NDSU Extension Service	4-H Camp	\$1,900,000	\$950,000	\$0
640 NDSU Main Research Center	Agronomy Laboratories	\$5,925,000	\$5,925,000	\$0	\$0
720 Game and Fish Department	Lonetree WMA Heated Storage Building	\$150,000	\$0	\$150,000	\$0
750 Parks and Recreation Department	FSSP Admin Office/Visitor Contact Facility	750,000	750,000		
	LMSP Asphalt Road/Parking Lot Repairs	960,000	960,000		
	LSSP Campground Comfort Station	500,000	300,000	200,000	
	LCSP Campsite Expansion	520,000	520,000		
	ICSP Interpretive Exhibit Completion	200,000			200,000
	LSSP Marina Dock Purchase	775,000	387,500		387,500
	Total	\$3,705,000	\$2,917,500	\$200,000	\$587,500
801 Department of Transportation	Land and Buildings	5,197,400	0	0	5,197,400
	Radio Sites	1,200,000	0	0	1,200,000
	Total	\$6,397,400	\$0	\$0	\$6,397,400
		\$385,591,342	\$182,837,213	\$23,798,200	\$178,955,929

CAPITAL PROJECTS DESCRIPTIONS

215 – North Dakota University SystemCapital Projects Contingency Pool

\$5.5 million from the general fund is authorized for distribution to higher education institutions if the lowest bid for a capital project exceeds the legislative appropriation for the project. Authorized projects include those receiving a general fund appropriation in 2013 SB 2003. Funds will be prorated if requests exceed the appropriated contingency pool budget.

227 – Bismarck State CollegeCommunications and Creative Arts Center

Phase one of the project includes approximately 59,290 total square feet, including: academic space for the Theatre Arts, Visual Arts, Music and English programs, as well as a Learning Commons. A second phase of the project would include a theater funded entirely through donations and other income. Total project authority is \$19.3 million. Phase one includes \$12.6 million from the general fund and \$665,000 from donations and other income. Phase two includes \$6.0 million from donations and other income. Increased general fund operating and maintenance costs are estimated at \$400,000 per biennium.

228 – Lake Region State CollegeErlandson Technical Center Addition and Renovation

This project includes an addition of approximately 24,000 square feet to the Erlandson Technical Center, as well as renovation of about 9,000 square feet of existing space and improvements to the building's exterior. The new space will be

used for expansion of the nursing program and to enhance training facilities for the Simulator Technology, Wind Energy Technician and Automotive Technology programs. The project includes \$5.7 million from the general fund. The addition will result in additional general fund operating and maintenance costs of \$57,400 per biennium.

229 – Williston State CollegeStevens Hall Renovation

This project will remodel nearly 64,000 square feet of the existing Stevens Hall and provide an addition for a building entrance, student study space, cafeteria space and future classroom space. The project will address documented concerns with health, safety, welfare, air quality, and ADA issues. The project includes \$11.6 million from the general fund. Decreased operating and maintenance costs are estimated at \$50,000 per biennium.

Campus Drive

This project will provide a new campus center drive that will increase safety by reducing pedestrian/vehicular conflicts. The road will also provide access to the new residence hall and the workforce training facilities. The project includes \$1.7 million from the general fund. Any increase in operating and maintenance costs will be paid within the agency's budget.

Workforce Training Center

Originally authorized by the 2011 Legislative Assembly, this project will construct a new Workforce Training Center. The 2013 Legislative Assembly provided \$2.5 million in Bank of North Dakota (BND) borrowing authority, bringing the total project costs to \$6.7 million. The budget includes \$500,000 from the general fund and \$6.2 million from local funds or

private donations. Added operating and maintenance costs of \$56,280 per year will be paid with local funds.

230 – University of North Dakota

School of Medicine and Health Science (SoMHS) Renovation/Addition

This authorization will allow for construction of a new School of Medicine and Health Sciences building of approximately 377,000 square feet. The \$122.5 million project includes \$60.5 million from the general fund and \$62.0 million in BND borrowing authority. UND anticipates removing eight older buildings as a result of this project, which will save approximately \$450,000 in operating and maintenance costs annually. These dollars will be reassigned to support operational costs of the new building.

Renovation and Addition of Law School

This project includes a complete remodel of the existing 21,000 square foot Law School and about a 4,000 square foot addition. The project will complete the code required improvements to the mechanical, electrical and fire protection systems. The project includes \$11.4 million from the general fund. The project will result in increased operating and maintenance costs of \$166,000 per biennium to be paid within the agency's budget.

SoMHS Bismarck Family Practice Center Skywalk

This project authorizes \$750,000 from the general fund to construct a skywalk between the SoMHS Bismarck Family Practice Center building and Sanford Medical Health. A dollar-for-dollar match is required from non-state resources.

Student Housing Facility

This project would remove existing older housing units and build 250 beds on the same site. The project is Phase 3 of the Campus Housing Master Plan and provides 95,000 square feet. The project includes \$19.2 million in special funds. Equipment and furnishings are included in the cost. The project will not result in additional special fund operating and maintenance costs.

Resident Apartment Building – Currently Leased

This authorization will allow UND to purchase an existing student-occupied apartment building. The project includes \$8.3 million of special funds. The project will not result in additional special fund operating and maintenance costs.

College of Business and Public Administration Renovation/Addition

This is a reauthorization from the 2009-11 biennium. This project includes a complete renovation of the existing building exterior including the masonry and window systems. The project includes \$20.5 million of special funds. The project will result in additional special fund operating and maintenance costs of \$90,000 per biennium.

Indoor Track and Football Practice Field

This is a reauthorization from the 2009-11 biennium. 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.

Wilkerson Dining Hall Reauthorization

This is a reauthorization of a 2011-13 biennium project. The facility is the largest UND food service center and is also a 24-hour service center for students. The project includes both a renovation of and addition to the existing facility. \$29.0 million in special funds will be generated through the issuance of revenue bonds. Operating costs are estimated to increase by \$400,000 per biennium as a result of the project and will be paid with special funds.

235 – North Dakota State UniversitySTEM Classroom and Laboratory Building

This project will provide for a new building consisting of about 145,000 square feet to house traditional and open-frame classrooms, laboratories, and the required support spaces for science, technology, engineering and math instruction. The project includes \$28.1 million from the general fund. The project will result in increased operating and maintenance costs of \$330,750 per biennium to be paid from the general fund.

Low Rise Lavatory Renovation – Phase I

This first phase of five phases consists of remodeling the low rise residence hall bathrooms and the associated infrastructure. The project includes \$1.0 million of special funds. The project will not result in additional special fund operating and maintenance costs.

Memorial Union Food Court

This project will upgrade the lighting, circulation and signage in the existing space. When combined this will shorten lines and speed up service leading to additional sales revenue. The project includes \$975,000 of special funds. The project will not result in additional special fund operating and maintenance costs.

Low Rise Lavatory Renovation – Phase II

This second phase of five phases consists of remodeling the low rise residence hall bathrooms and the associated infrastructure. The project includes \$1.0 million of special funds. The project will not result in additional special fund operating and maintenance costs.

Nutrition and Dietetics and Hospitality Lab

This project will update the existing food production laboratory. The existing laboratory has documented federal code and building code deficiencies. The project includes \$750,000 of special funds. The project will not result in additional special fund operating and maintenance costs.

Sanford Health Athletic Complex (Formerly Bison Sports Arena)

This is a re-authorization of the 2007-09 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 \$35.4 million of special funds. Anticipated operating or maintenance costs will be paid with local dollars.

Center for Computationally Assisted Science and Technology Upgrades

This project will improve the specialized computer room in the NDSU Research and Technology Park R2 building, including power, cooling, fire protection, space and security features. The \$660,000 project will be paid with federal funds. Anticipated increased operating and maintenance costs of \$96,000 per biennium will be paid with local or grant dollars.

238 – North Dakota State College of ScienceOld Main Renovation

This project will renovate the iconic building at NDSCS. The 1891 building comprises 34,126 gross square feet. The project will address health, safety, ADA, and code issues. The project includes \$8.1 million from the general fund. No net additional operating or maintenance costs are anticipated. The project also includes the removal of two buildings (Burch and Hektner Halls) that, because of environmental and structural/infrastructure concerns are considered too expensive to renovate, reducing the campus' on-going maintenance.

Football Complex Renovation

This is a reauthorization from the 2011-13 biennium. This project includes renovation of the existing football complex including new locker rooms, public restrooms, stadium entrance, a new roof for the press box, concessions area, alumni room, and other miscellaneous repairs at a total cost of \$1.4 million of special funds. Any increase in operating or maintenance will be paid with special funds.

239 – Dickinson State UniversityTheodore Roosevelt Presidential Library

This authorization will allow for construction of a Theodore Roosevelt Presidential Library, working through a non-profit organization. The \$9.0 million project includes \$6.0 million from the general fund and \$3.0 million in non-state matching funds. Match funds must be raised prior to use of any state dollars. An additional \$6.0 million is available for the project from the general fund only if the July 1, 2013 unobligated balance and fiscal year 2014 general fund revenues exceed the legislative forecast by three and one-half percent. If the contingency is met, the total project budget will be \$15.0 million. Size of the

building and additional operating and maintenance costs are unknown at this time.

240 – Mayville State UniversityOld Gymnasium / Health Education Facility

This project will demolish the existing 14,000 square foot gymnasium and replace it with about 37,000 square feet of new multi-purpose educational space. The project includes \$5.5 million from the general fund. The addition will result in additional general fund operating and maintenance costs of \$80,000 per biennium.

Campus-wide Drainage Improvements

This project will install a water conveyance system, expand the drainage ditch, provide a storm water pump lift station, relocate a primary road, and pave a gravel parking lot. The project includes \$2.2 million from the general fund. The project will not result in additional general fund operating and maintenance costs.

241 – Minot State UniversityPlant Services Building

This project will relocate the plant services building and support, including state fleet vehicles and maintenance equipment/supplies, to the perimeter of the campus. The existing building will be re-purposed inexpensively. The nearly 20,000 square foot project includes \$1.7 million from the general fund, \$1,785 of special funds and \$676,000 of carryover for total project cost of \$2.4 million. No net increase in operating and maintenance expenses is anticipated.

Renovation of Campus Athletic Facilities

This project will provide improvements to Herb Parker Stadium and the Dome. The stadium improvements include a new press box, concessions, suites, and restrooms. The Dome will receive new seating, a video screen board, and a food court. The project includes \$11.8 million of special funds. No net increase in operating and maintenance expenses is anticipated.

242 – Valley City State UniversityVangstad Hall Renovation

This project will renovate approximately 22,500 square feet of existing space to provide a new home for the Business Department and a new Learning Center. The project includes \$3.5 million from the general fund. No net increase in operating or maintenance is expected.

WE Osmon Fieldhouse Addition Phase II

This project will provide a nearly 22,400 square foot addition to the existing fieldhouse including lockers, trainer space, laundry, storage, weight training, and lobby/concessions. The project includes \$4.7 million of special funds. The project will result in additional general fund operating and maintenance expenses of \$179,080 per biennium.

Hillside Slope Failure

This project will provide slope stabilization for the steep slope on the south side of the campus near the McCarthy and Steam plant buildings. The slope has been gradually degrading for some time, but has accelerated in the past few years to the point where it is becoming unsafe. The project includes \$480,510 from the general fund and \$100,000 of local funds. The project will not require an increase in operating or maintenance.

243 – Dakota College at BottineauCampus Backup Generator

This project will provide a generator for critical campus infrastructure preventing building internal systems from freezing during extended power outages during the winter. The project includes \$375,820 from the general fund. No net increase in operating and maintenance funds is anticipated.

Thatcher Hall Heating System Upgrade

This project will replace all steam and condensate piping, hot water heating piping, valves, traps, insulation and associated pumps in Thatcher Hall which was constructed in 1949. The project includes \$769,500 from the general fund. No increase in operating and maintenance funds is anticipated.

Gross Hall Update

This project will renovate 39 dorm rooms and 2 central restrooms. Renovations include new furniture, fixtures, ceiling tiles, carpeting, lighting, windows and doors. The project includes \$732,460 of special funds. No net increase in operating and maintenance funds is anticipated.

Mead Hall Update

This project will renovate the dorm rooms and central restrooms. Renovations include new furniture, fixtures, ceiling tiles, carpeting, lighting, windows and doors. In addition, this project will include installation of an elevator and an overhaul of the mechanical and electrical systems. The project includes \$1.2 million of special funds. No net increase in operating and maintenance funds is anticipated.

Milligan Hall Remodel/Update

This project will renovate the existing 600 square foot single rooms into double suite units. Renovations include new

furniture, fixtures, ceiling tiles, carpeting, lighting, windows and doors. This project also includes an overhaul of the mechanical and electrical systems. The project includes \$896,743 of special funds. No net increase in operating and maintenance funds is anticipated.

Old Main Remodel

This project will renovate the existing Old Main building and re-purpose it as the Old Main Conference Center. The building will house large and small meeting rooms, a kitchen, a coffee shop, and a theatre/ballroom. The project includes \$4.8 million of special funds. The project will result in additional special fund operating and maintenance costs of \$286,000 per biennium.

244 – North Dakota Forest Service

Nursery Freezer Conversion and Shop Facility

This project will provide 5,500 square feet of freezer space increasing seedling capacity from 120,000 to 500,000. The other component is a 2,500 square foot heated shop for servicing, reconditioning, and fabricated specialized nursery equipment. The project includes \$785,000 from the general fund. The project will result in additional general fund operating and maintenance costs of \$30,600 per biennium.

313 –Veterans’ Home

Resident Workshop

This project will provide an addition to the new Veterans Home for a resident workshop. The workshop will be 4,542 square feet for a total cost of \$788,200. The project will provide separate space for wood working, arts and crafts, ceramics and space needed for various pieces of equipment. The addition will have a brick exterior, a fire suppression system and special makeup air flow to deal with chemicals.

504 – Highway Patrol

Training Facility Phase I

This project will begin the replacement of the existing 180 x 720 foot course at BSC with a new 300 x 1,000 foot course located at a safer location east of Bismarck. The project also commences construction of a 12,800 square foot indoor weapons range. The project includes \$4,350,000 from the general fund and \$650,000 of special funds for a total project cost of \$5,000,000. The increase in operating and maintenance expenses is estimated at \$41,760 from the general fund and \$6,240 of special funds for a total increase of \$48,000.

530 – Department of Corrections and Rehabilitation

Missouri River Correctional Center Flood Hazard Mitigation

This project will provide a series of flood control measures for the Missouri River Correctional Center and surrounding properties. The project includes \$349,950 from the general fund. No increase in operating and maintenance funds is anticipated.

540 – Adjutant General

Total 100 Percent Federal Construction

This authority represents the historical expenditures for the Army Guard Contracts line. The spending authority includes \$22.0 million of federal funding. The National Guard Bureau has not yet approved funding or specific projects for the 2013-15 biennium. Any increase in operating and maintenance costs will be paid within the agency’s budget.

State Radio Expansion Project

This project will provide a new Communications Center area of approximately 2,016 square feet including three new dispatch

consoles. The project includes \$960,000 from the general fund. The project will result in additional operating and maintenance expenses of \$16,128 per biennium to be paid from the general fund.

State Radio Fire Suppression System

This project will provide a new chemical-based fire suppression system to replace the current water-based suppression system. This will minimize destruction of valuable equipment should it be activated. The project includes \$210,000 from the general fund. No increase in operating and maintenance funds is anticipated.

630 – NDSU Extension Service

4-H Camp

This project has four components. Three existing cabins will be renovated. The Main Lodge will become ADA accessible, and be provided with new heat and air conditioning. Outdoor program amenities will be enhanced and a new multipurpose camp building will be constructed. The project includes \$950,000 from the general fund and \$950,000 of special funds for a project total of \$1.9 million. An increase in operating and maintenance expenses is estimated at \$61,000 per biennium to be paid within the agency's budget.

640 – NDSU Main Research Center

Agronomy Laboratories

This \$5.9 million general fund project includes the construction of agronomy laboratories at four research extension centers (REC). The first project is a new 10,040 square foot agronomy laboratory at the Carrington REC. This will replace a 1962 potato warehouse that has quality control and worker safety issues. The second project is a new 8,000 square foot

agronomy laboratory at the Hettinger REC. This will replace a converted granary with similar issues as Carrington. Third, a new 5,000 square foot building will be constructed at the Langdon REC which currently does not have a dedicated facility to store, process and perform necessary research testing. Finally, a 2,800 square foot laboratory will be constructed at the Central Grasslands REC to conduct forage research tests. The increase in operating and maintenance expenses is unknown at this time.

720 – Game and Fish Department

Lonetree Wildlife Management Area - Heated Storage Building

This project provides for the construction of a 1,125 square foot building or addition to the existing shop. The project will provide additional heated storage space for maintenance and storage of department equipment. The project includes \$150,000 in federal funds. No increase in operating or maintenance is anticipated.

750 – Department of Parks and Recreation

Lake Metigoshe State Park – Road Repairs

This project will provide renovation, repair and asphalt overlay of 1,800 feet on the main park entrance road. The project includes \$960,000 from the general fund. No increase in operating and maintenance funds is anticipated.

Lake Sakakawea State Park – Marina Dock Purchase

This authorization will allow the agency to purchase the existing Captain Kit's Marina and assure long term viability in this public marina. The project includes \$378,500 from the general fund and \$378,500 from special funds. No net additional operating or maintenance costs are anticipated.

Fort Stevenson State Park – Administrative Office/Visitor Contact Facility

This project will provide a new facility at the entrance to the park. Similar to the Lake Sakakawea State Park Visitor Center, the new Visitor Center will provide an energy efficient, ADA and code compliant structure. The project includes \$750,000 from the general fund. No net additional operating or maintenance costs are anticipated.

Icelandic State Park – Interpretive Exhibit Completion

The Icelandic State Park received an appropriation in the 2009-11 biennium for an addition to the park heritage center. This project will complete the natural heritage component by providing for the design and installation of interpretive exhibits. The project includes \$200,000 from special funds. The special funds include \$50,000 of local funds to be raised from non-state sources. No net additional operating or maintenance costs are anticipated.

Lewis and Clark State Park – Campsite Expansion

This project provides an additional 25 camping sites at a park that is operating at nearly 100.0 percent capacity. The project includes \$520,000 from the general fund. No net additional operating or maintenance costs are anticipated.

Lake Sakakawea State Park – Comfort Station Replacement

This project would remove the existing 1975 comfort station and replace it with a new energy efficient, accessible, and code compliant comfort station similar to the one recently added at Ft. Lincoln State Park. The project includes \$300,000 from the general fund and \$200,000 from federal funds. No net additional operating or maintenance expenses are expected.

801 – Department of Transportation

Land and Buildings

This project includes three section/equipment buildings, and three salt storage buildings. The locations are based on highest needs and priorities. The project includes \$5,197,400 of special funds. Any increase in operating and maintenance will be paid within the agency's budget.

Radio Sites

This project will provide ten prefabricated buildings including a generator, concrete pad, propane tank, and fencing. The project includes \$1,200,000 of special funds. Any increase in operating and maintenance will be paid within the agency's budget.

EXTRAORDINARY REPAIRS

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

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

The formula driven calculations may not always reflect actual repair needs. Therefore, although the formula is used to guide agencies 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 2014, the mid-

year in the 2013-15 biennium. For example, if a building was built or renovated in 1973, the building age is 41 (2014-1973).

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:

- $P \times R = \text{Formula Amount}$**
- $P = \text{Infrastructure renewal percentage}$**
- $R = \text{Infrastructure replacement value (per unit value times the number of units)}$**

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 5.0 percent.

Infrastructure Replacement Value

Infrastructure is valued at replacement cost. Expertise from the Facility Management Division of OMB was used to determine replacement costs and parameters applicable to the valuation of the numerous types of infrastructure.

The schedule on the following page shows amounts appropriated for each state agency for extraordinary repairs for the 2013-15 biennium. The chart also compares the appropriation to the amount calculated through the building and infrastructure formulas.

Extraordinary Repairs Appropriations - 2013-15

No.	AgencyName	Building Formula	Infrastructure Formula	Total Formula	Total Appropriation	% of Formula Appropriated
110	Office of Management and Budget	\$7,603,281	\$722,008	\$8,325,289	\$8,948,793	107.5%
112	Information Technology Department	54,076		54,076	8,111	15.0%
117	Office of the State Auditor				40,000	100.0%
215	ND University System				10,000,000	100.0%
227	Bismarck State College	2,076,212	781,336	2,857,548	207,673	7.3%
228	Lake Region State College	813,254	193,301	1,006,555	155,367	15.4%
229	Williston State College	1,159,220	420,353	1,579,573	197,801	12.5%
230	University of North Dakota	22,262,794	8,043,940	30,306,734	4,504,321	14.9%
235	North Dakota State University	14,226,278	4,577,567	18,803,845	2,732,244	14.5%
238	ND State College of Science	5,172,632	1,723,117	6,895,749	953,713	13.8%
239	Dickinson State University	2,397,789	383,837	2,781,626	409,078	14.7%
240	Mayville State University	1,783,012	495,240	2,278,252	279,297	12.3%
241	Minot State University	4,806,771	988,099	5,794,870	899,620	15.5%
242	Valley City State University	2,074,915	669,727	2,744,642	658,319	24.0%
243	Dakota College - Bottineau	614,863	156,572	771,435	115,507	15.0%
244	North Dakota Forest Service	98,320	197,818	296,138	44,962	15.2%
252	School for the Deaf	677,787	163,962	841,749	1,128,521	134.1%
253	ND Vision Services	235,762		235,762	3,318,000	1407.4%
301	ND Department of Health	370,189		370,189	319,350	86.3%
313	Veterans Home	410,659	423,098	833,757	1,142,000	137.0%
325	Department of Human Services	6,700,478	3,608,145	10,308,623	2,631,008	25.5%
380	Job Service North Dakota	819,889	80,059	899,948		0.0%
412	Aeronautics Commission		89,737	89,737	330,000	367.7%
471	Bank of North Dakota	442,341	41,366	483,707		0.0%
485	Workforce Safety and Insurance	921,750	78,392	1,000,142		0.0%
504	Highway Patrol	179,547		179,547	121,000	67.4%
530	Dept of Corrections and Rehabilitation	5,353,004	1,287,997	6,641,001	2,779,446	41.9%
540	Office of the Adjutant General	7,768,769	5,251,445	13,020,214	8,000,000	61.4%
640	NDSU Main Research Center	1,396,990	1,060,025	2,457,015	1,340,465	54.6%
649	Agronomy Seed Farm	83,112	49,874	132,986		0.0%
665	ND State Fair				2,750,000	100.0%
701	Historical Society	699,312	1,032,162	1,731,474	309,721	17.9%
720	Game and Fish Department	728,399		728,399	1,527,041	209.6%
750	Parks and Recreation Dept	900,631	4,933,330	5,833,961	1,057,894	18.1%
770	State Water Commission	43,938	12,719	56,657		0.0%
801	Dept of Transportation	3,587,070	935,764	4,522,834	6,000,000	132.7%
TOTALS		\$96,463,044	\$38,400,990	\$134,864,034	\$62,909,252	46.6%

Other Capital Payments Appropriations – 2013-15

Agency	Project Description	Total	General Fund	Federal Funds	Special Funds
110 Office of Management and Budget	Capital Bond Payments	\$665,143	\$665,143	\$0	\$0
112 Information Technology	Capital Bond Payments	\$5,406,666	\$0	\$0	\$5,406,666
125 Office of Attorney General	Capital Bond Payments	\$765,882	\$765,882	\$0	\$0
215 ND University System	Capital Bond Payments	\$10,436,045	\$10,436,045	\$0	\$0
227 Bismarck State College	Special Assessments	\$210,000	\$210,000	\$0	\$0
230 University of North Dakota	Special Assessments	\$97,245	\$97,245	\$0	\$0
235 North Dakota State University	Special Assessments	\$0	\$0	\$0	\$0
238 ND State College of Science	Special Assessments	\$58,666	\$58,666	\$0	\$0
240 Mayville State University	Special Assessments	\$79,695	\$79,695	\$0	\$0
242 Valley City State University	Special Assessments	\$0	\$0	\$0	\$0
301 ND Department of Health	Capital Bond Payments	\$642,688	\$457,380	\$185,308	\$0
313 Veterans Home	Capital Bond Payments	\$408,840	\$0	\$0	\$408,840
380 Job Service North Dakota	Special Assessments	\$20,000	\$0	\$20,000	\$0
530 Dept of Corrections and Rehabilitation	Capital Bond Payments	\$1,289,450	\$1,289,450	\$0	\$0
540 Adjutant General	Special Assessments	110,046	110,046		
	Grand Forks Armory Bond Payment	28,586	28,586		
	Payment in Lieu of Taxes	40,000	40,000		
Total Adjutant General		\$178,632	\$178,632	\$0	\$0
628 Branch Research Centers	Capital Bond Payments - Central Grasslands REC	56,906	56,906		
	Capital Bond Payments - North Central REC	92,723	92,723		
Total Branch Research Centers		\$149,629	\$149,629	\$0	\$0
640 NDSU Main Research Center	Capital Bond Payments	\$421,772	\$421,772	\$0	\$0
701 Historical Society	Capital Bond Payments	\$1,359,004	\$1,359,004	\$0	\$0
720 Game and Fish Department	Land Acquisition	800,000		200,000	600,000
	Payment in Lieu of Taxes	1,000,000		200,000	800,000
	Other Capital Payments	135,000			135,000
Total Game and Fish Department		\$1,935,000	\$0	\$400,000	\$1,535,000
750 Parks and Recreation Department	Capital Bond Payments	\$73,627	\$73,627	\$0	\$0
770 Water Commission	Capital Bond Payments	75,250,000			75,250,000
	NAWS and SWPP	161,407,281			161,407,281
Total Water Commission		\$236,657,281	\$0	\$0	\$236,657,281
801 Department of Transportation	Additional Infrastructure Investment	996,800,000	541,000,000		455,800,000
	Capital Bond Payments	2,028,019			2,028,019
	Other Capital Payments	757,927,471		543,322,442	214,605,029
Total Department of Transportation		\$1,756,755,490	\$541,000,000	\$543,322,442	\$672,433,048
		\$2,017,610,755	\$557,242,170	\$543,927,750	\$916,440,835