SUMMARY OF KEY RECOMMENDATIONS

GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2005	$126,707,496[1]
Add estimated 2005-07 general fund revenues	1,890,447,500[2]
Total resources available	$2,017,154,996
Less recommended 2005-07 general fund appropriations	2,007,001,269
Estimated general fund balance - June 30, 2007	$10,153,727

[1]This amount includes estimated agency general fund turnback of $12,900,000 and reflects $10,886,142 of recommended deficiency appropriations. Sections 19 and 20 of House Bill No. 1015 (2005) repeal statutory provisions which would transfer any funds in excess of $65 million in the general fund at the end of the 2003-05 biennium to the budget stabilization fund.

[2]The executive budget allows the director of the Office of Management and Budget to transfer funds from the permanent oil tax trust fund to the general fund if actual 2005-07 revenues are less than projected. If the balance in the permanent oil tax trust fund is not sufficient to provide for the revenue shortfall, the director of the Office of Management and Budget may direct the Industrial Commission to transfer up to $10 million of additional funds from the Bank of North Dakota to the general fund. Any transfers made from the Bank of North Dakota may not reduce the Bank's capital to less than $150 million.

TOTAL APPROPRIATIONS SUMMARY

	2003-05 Legislative Appropriations	Increase (Decrease)	2005-07 Executive Budget
General fund	$1,803,661,161	$203,340,108	$2,007,001,269
Estimated income	3,255,715,994[1]	282,637,481	3,538,353,475
Total all funds	$5,059,377,155	$485,977,589	$5,545,354,744

[1]The amounts shown reflect $62,241 of special funds appropriations reductions as provided for in Section 3 of House Bill No. 1505 (2003).

2005-07 GENERAL FUND REVENUES

1. Includes general fund revenues of $2.02 billion, $203.2 million more than the 2003-05 biennium revenues as projected at the close of the 2003 Legislative Assembly.
2. Includes an **estimated beginning general fund balance** of $126.7 million, $116.5 million more than the projection made by the 2003 Legislative Assembly.
3. Repeals North Dakota Century Code Section 54-27.2-02 which requires a transfer of any funds in the general fund in excess of $65 million at the end of the 2003-05 biennium to the budget stabilization fund.
4. Projects state agency **general fund turnback** of $12.9 million at the end of the 2003-05 biennium.
5. Major areas of **revenue growth** include:
   a. Sales and use taxes increasing by $87.0 million or 12.9 percent.
   b. Individual income taxes increasing by $31.8 million or 7.3 percent.
   c. Motor vehicle excise taxes increasing by $7.9 million or 6.2 percent.
6. Decreases departmental collections by $5.3 million or 9.7 percent due to the discontinuation of the **intergovernmental transfer program** in the Department of Human Services.
7. Reduces **transfers from special funds** by $58.4 million, from $155.7 million in 2003-05 to $97.3 million in 2005-07. Major transfers and changes include:
   a. Transfers $60 million from the **Bank of North Dakota**, the same amount authorized for the 2003-05 biennium.
   b. Transfers $5 million from the **Mill and Elevator**, the same amount authorized for the 2003-05 biennium.
   c. Transfers $16.9 million from the **health care trust fund**, $19.0 million less than the 2003-05 biennium transfer.
   d. Transfers $9 million from the interest earnings of the **student loan trust fund**, $17.3 million less than the transfer authorized for the 2003-05 biennium.
   e. Transfers $5 million from the **lands and minerals trust fund**, $3 million more than the transfer authorized for the 2003-05 biennium.
   f. Removes the $11.9 million transfer from the **permanent oil tax trust fund** authorized for the 2003-05 biennium. The executive budget anticipates a $41.6 million balance in the permanent oil tax trust fund for the 2005-07 biennium.
   g. Removes the $10.1 million transfer from the **water development trust fund** authorized for the 2003-05 biennium.
8. Anticipates **oil prices** to average $32 per barrel during the first year of the 2005-07 biennium and are anticipated to decline to an average price of $24 per barrel during the second year of the biennium. The average oil price in November 2004 for North Dakota crude oil was $42.58 per barrel.
9. Increases the maximum amount of **oil extraction and oil and gas production tax collections** that may be deposited in the general

fund before revenues are transferred to the permanent oil tax trust fund from $71 million to $84.5 million. This change results in $13.5 million of additional general fund revenues from oil tax collections during the 2005-07 biennium.

10. Anticipates $10 million of general fund revenues from the **North Dakota lottery**, $8.6 million more than the amount originally projected for the 2003-05 biennium.
11. Authorizes the director of the Office of Management and Budget to **transfer funds from the permanent oil tax trust fund** to the general fund if actual 2005-07 revenues are less than projected. If the balance in the permanent oil tax trust fund is not sufficient to provide for the revenue shortfall, the director of the Office of Management and Budget may direct the Industrial Commission to transfer **up to $10 million of additional funds from the Bank of North Dakota** to the general fund. Any transfers made from the Bank of North Dakota may not reduce the Bank's capital to less than $150 million.

2005-07 GENERAL FUND APPROPRIATIONS

1. Includes general fund appropriations of $2.01 billion, $203.3 million more than the 2003-05 legislative appropriations.
2. Major general fund appropriations increases (decreases) relate to:
   a. Department of Human Services - $72.5 million.
   b. Department of Public Instruction - $29.2 million.
   c. Higher education - $26.7 million.
   d. State employee salary and health insurance - $23.9 million.
   e. Department of Corrections and Rehabilitation - $16.0 million.
   f. Judicial branch - $9.5 million.
   g. Adjutant General - $7 million.
   h. State Water Commission - ($7.4 million).

2005-07 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of $3.54 billion, $282.6 million more than the 2003-05 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
   a. Federal funds - $168 million.
   b. Department of Commerce - $51 million.
   c. Department of Transportation - $17.2 million.
   d. Bank of North Dakota - $15.9 million.
   e. Higher education - $9.1 million.
   f. Office of Management and Budget - $6.9 million.
   g. Main Research Center - $6.9 million.
   h. Industrial Commission - $6.4 million.
   i. Department of Corrections and Rehabilitation - $5.4 million.
   j. State Water Commission - ($27.5 million).

2005-07 - USE OF ONE-TIME REVENUES AND FUNDING SOURCES

1. Uses $135.8 million of revenue and funding sources that may be available only once or are of limited duration. These sources include:
   a. The use of $116.5 million of the estimated $126.7 million **beginning balance** ($10.2 million remains as an estimated ending balance).
   b. The transfer of $16.9 million from the **health care trust fund** to the general fund. An estimated $3 million may be available for transfer during the 2007-09 biennium.
   c. The transfer of $5 million from the **lands and minerals trust fund** to the general fund. An estimated $2 million may be available for transfer during the 2007-09 biennium.
   d. The use of $2.4 million from the **beginning farmers revolving loan fund** for the Ag PACE and beginning farmers program.

2005-07 ONE-TIME GENERAL FUND SPENDING

1. Includes $15.1 million of general fund appropriations exceeding $500,000 that are for one-time purposes. These items include:
   a. Adjutant General - Veterans' bonuses - $5,000,000.
   b. Legislative Assembly - Legislative applications replacement project - $4,200,000.
   c. Department of Human Services - Medicaid management information system (MMIS) replacement project - $3,700,000.
   d. Public Service Commission - Rail rate case - $900,000.
   e. Information Technology Department - Criminal justice information sharing (CJIS) initiative - $700,000.
   f. Office of Management and Budget - ConnectND PeopleSoft modules - $600,000.

   NOTE: The $8.3 million recommended in House Bill No. 1024 to pay the state's share of disaster costs is not included as one-time spending for the 2005-07 biennium because this amount is a deficiency appropriation which will be paid during the 2003-05 biennium and is reflected as a reduction to the June 30, 2005, general fund balance.

HIGHER EDUCATION

1. Increases **general fund** support by $26.7 million, or 7.4 percent, compared to 2003-05 appropriations due in part to increasing funding for campus operations by approximately $24.8 million.
2. Increases support from **special funds** by $9.1 million, or 8.2 percent, compared to 2003-05 appropriations due to increasing major capital projects funded from special funds by approximately $8.1 million.
3. Adjusts the authorized number of **full-time equivalent (FTE) positions** from 2,400.38 for the 2003-05 biennium to 2,196.67 for the 2005-07 biennium to adjust the number of FTE positions to the level supported by the general fund.
4. The consolidation of the **higher education institutions' operating and extraordinary repair budgets** into two line items in the University System office budget--campus operations and contingency, extraordinary repairs, and capital emergency.
5. Funding of $6.4 million, of which $6.2 million is from the general fund and $172,000 is from federal funds, for the **student financial assistance grant program**. The funding includes $2 million of funding from the general fund for a new student financial assistance grant child care component. This level of funding represents a total funds increase of $3.5 million from the 2003-05 legislative appropriation of $2.9 million.
6. Funding of $7.1 million from the general fund is recommended for **contingency, extraordinary repairs, and capital emergency funding**. This represents an increase in funding of $5.4 million from the 2003-05 legislative appropriation of $1.8 million, of which $297,000 was from the general fund and $1.5 million was from the water development trust fund. The funding is to be used for campus extraordinary repairs and unforeseen operations or capital asset needs and opportunities as determined by the State Board of Higher Education.
7. Funding of $916,000 from the general fund for **board initiatives** to support University System and statewide goals linked to the State Board of Higher Education strategic plan and the Higher Education Roundtable report. The funding includes $450,000 of funding for an economic enhancement initiative that would target out-of-state and out-of-country recruitment. This level of funding represents an increase in funding of $744,000 from the 2003-05 adjusted appropriation of $172,000.

ELEMENTARY EDUCATION

1. Increases funding for **state school aid** (per student, transportation, and limited English proficiency) payments by $22.8 million, from $489.4 million to $512.2 million. Per student payments would increase from $2,623 in 2004-05 to $2,726 in 2005-06 and $2,826 in 2006-07.
2. Increases funding for **tuition apportionment** by $2.1 million, from $69.5 million to $71.6 million. The per census unit payment would increase from $335 in 2004-05 to $351 for both years of the 2005-07 biennium.
3. Increases funding for **special education** by $2.6 million, from $49.9 million to $52.5 million.
4. Decreases funding for **teacher compensation payments** by $942,000, from $51.9 million to $50.9 million to properly reflect the level of funding needed to fund the current teachers at the current level of compensation payments.
5. Provides funding of $2 million from the general fund for providing incentives to districts participating in **joint powers agreements** that increase educational opportunities for students.
6. Increases funding for **revenue supplemental payments** by $2.5 million from $5 million to $7.5 million.

HUMAN SERVICES

1. Provides a total general fund appropriation of $490.4 million, $88 million, or 21.9 percent, more than the $402.4 million appropriated for the 2003-05 biennium, excluding intergovernmental transfer payments.
2. Adds $32 million of additional state matching funds required due to changes in the state's **federal medical assistance percentage** (FMAP). The FMAP determines the federal and state share of Medicaid expenditures. North Dakota's FMAP is decreasing from 67.49 percent in federal fiscal year 2005 to 65.85 percent in federal fiscal year 2006, to an estimated 63.23 percent in federal fiscal year 2007.
3. Adds $16.3 million, of which $6.1 million is from the general fund for providing **inflationary increases** to the department's service providers of 2 percent for each year of the biennium.
4. Provides $29.2 million, of which $3.7 million is from the general fund for rewriting the Medicaid management information system **(MMIS)** computer application.

5. Reduces funding for temporary assistance for needy families **(TANF)** benefits by $5 million of federal and special funds to provide a total of $24.5 million for the 2005-07 biennium. The reduction is the result of an anticipated reduction in both the number of TANF recipients and average monthly payments.
6. Adds $1.2 million, of which $600,000 is from the general fund for payment error rate measurement **(PERM)** eligibility reviews to comply with proposed federal Medicaid and children's health insurance program regulations that, if approved, will become effective October 1, 2005.
7. Removes $27.5 million, of which $8.7 million is from the general fund, relating to **intergovernmental transfer payments** due to discontinuation of the program at the federal level.
8. Provides $107.9 million for **prescription drugs** in the medical assistance program, an increase of $12.7 million, or 13.4 percent, compared to the 2003-05 biennium appropriation.
9. Reduces funding for **outpatient hospital services** in the medical assistance program to $33.8 million, a $2.5 million, or 6.8 percent, reduction compared to the 2003-05 biennium appropriation.
10. Adds $1.3 million, of which $446,000 is from the general fund to allow Medicaid recipients to set aside up to $5,500 for **funeral expenses** rather than $3,000.
11. Provides $348.8 million for **nursing facility care**, an increase of $30.3 million, or 9.5 percent, compared to the 2003-05 biennium appropriation of $318.4 million. The $30.3 million increase includes $24.5 million for **inflationary increases required by statute**, $8.1 million for **rebasing** nursing home costs from 1999 to 2003, $634,000 for changing the method of calculating **nursing facility payment limits** from the percentile method to a median-plus method, and a reduction of $3 million relating to an anticipated reduction in **nursing facility residents** on Medicaid.
12. Provides $12.8 million for **basic care**, of which $5.2 million is from the general fund, an increase of $4.4 million, all of which is from the general fund compared to the 2003-05 biennium appropriation. The department is anticipating that federal funds available under the basic care personal care option will be decreasing due to certain basic care costs no longer being eligible for Medicaid reimbursement under the North Dakota basic care personal care option as approved by the federal government.
13. Provides $206.2 million for **developmental disabilities services grants**, of which $73.2 million is from the general fund. Compared to the 2003-05 biennium, the 2005-07 biennium funding is an increase of $15.7 million, of which $11.3 million is from the general fund. The increase relates to caseload and cost increases of $9.6 million, and the 2 percent inflationary increases referred to above of $6.1 million.
14. Adds $3.1 million from the general fund for increased costs and costs relating to **expanding the secure services unit** at the State Hospital from a 22-bed to a 42-bed unit. The secure services unit provides sexual offender treatment services and services to individuals that are mentally ill and dangerous.
15. Adds $1.3 million from the general fund for State Hospital traditional services to replace an anticipated reduction in **third-party collections**.
16. Adds $1 million from the general fund for the Developmental Center to restore the $1 million **general fund reduction** made by the 2003 Legislative Assembly.
17. Removes $250,000 from the general fund provided for the 2003-05 biennium as a **funding pool** to be distributed to human service centers for mental health and substance abuse services based on the needs of each region.

CAPITAL CONSTRUCTION

1. Includes a total of $747.2 million for the following capital projects:
   a. $162.2 million for major capital projects.
   b. $11.8 million for extraordinary repairs.
   c. $573.2 million for other projects (including $504,001,529 for the Department of Transportation and $43,022,460 for the State Water Commission).

   The funding sources for major capital projects and extraordinary repairs and other projects are:

	General Fund	Special Funds
Major capital projects	$1,841,255	$160,352,333
Extraordinary repairs	3,329,159	8,464,764
Bond payments	18,249,556	2,146,611
Other projects	334,000	552,436,152
Total	$23,753,970	$723,399,860

2. Authorizes the following major capital construction projects to be financed by **bonding**:

Office of Management and Budget - State Capitol fire suppression system	$3,155,000
Attorney General - Crime lab addition and remodeling	3,632,691
North Dakota State University - Hazardous material handling and storage facility	3,500,000
Dickinson State University - Murphy Hall renovation and addition (Stage II)	4,100,557
Department of Corrections and Rehabilitation - Multipurpose building construction at the Missouri River Correctional Center and building improvements at the James River Correctional Center	3,586,510
NDSU Main Research Center - Research greenhouse complex	4,500,000
Total	$22,474,758

STATE EMPLOYEES

1. Provides funding for **state employee salary increases** equal to 4 percent of salaries effective July 1, 2005, and 3 percent effective July 1, 2006. Agencies may provide an additional 1 percent salary increase on July 1, 2006, to the extent the increase can be paid with existing agency resources.
2. Provides funding for Supreme Court justices and district court **judges' salary increases** of 5.78 percent for the first year of the biennium and 4 percent for the second year of the biennium.
3. Continues funding for the cost of **health insurance premiums** for state employees. The executive budget provides $559 per month for state employee health insurance premiums, an increase of $70, or 14.3 percent, compared to the 2003-05 premium of $489 per month.
4. Provides $5 million to the Office of Management and Budget for **market equity** compensation adjustments for classified state employees. Of the $5 million, $2.5 million is from the general fund and $2.5 million from special funds.
5. Includes a total of 10,618.15 **FTE positions**, 167.78 FTE positions fewer than the 2003-05 authorized level. This includes a reduction of 203.71 higher education FTE positions to reflect institutional reductions and to report only the number of FTE positions funded from the general fund. The net increase, excluding the higher education positions, is 35.93 FTE positions. The recommendation includes the addition of 137.66 new FTE positions and the deletion of 101.73 FTE positions.

CORRECTIONS

1. Adds $1 million from the general fund for a **salary equity pool** for correctional officers.
2. Provides an additional $1.5 million from the general fund for the **Tompkins Rehabilitation and Correction Center** due to increased program costs and the expiration of the federal reentry grant.
3. Increases funding by $2.2 million from the general fund for housing female inmates at the Dakota Women's Correctional Rehabilitation Center in **New England**.
4. Provides an additional $1.9 million from the general fund for housing **male inmates**.
5. Authorizes the issuance of $2 million of bonds for **a multipurpose building** at the Missouri River Correctional Center.
6. Authorizes the issuance of $1.6 million of bonds for **building improvements** and code improvements at the James River Correctional Center in Jamestown.
7. Provides $900,000 from the general fund for a proposed 30-bed **assessment facility** for male inmates.
8. Provides an additional $2.3 million from the general fund for the **Bismarck Transition Center** due to the expiration of a federal grant and increases in rates and population.

INFORMATION TECHNOLOGY DEPARTMENT

1. Increases funding for operating expenses for **PeopleSoft** maintenance payments ($1,800,000), software acquisition and consulting services for the **mainframe migration** project ($6,000,000), expansion of network circuits and bandwidth ($1,200,000), and the Department of Human Services Medicaid management information system **(MMIS)** rewrite project ($6,900,000).
2. Provides capital assets funding of $10.4 million for **information technology equipment** ($5,000,000) and **ConnectND** bond payments ($5,400,000).
3. Removes $20 million of bond proceeds provided in the 2003-05 biennium for the enterprise resource planning system initiative, the ConnectND project.
4. Removes $1.3 million from the general fund provided in the 2003-05 biennium for **Prairie Public Broadcasting**. Funding for Prairie

Public Broadcasting is being added to the Office of Management and Budget.

5. Adds $1.3 million from the general fund to restore the $1 million general fund undesignated budget adjustment and reflect the loss of special funds provided for the 2003-05 biennium.

ECONOMIC DEVELOPMENT

1. Provides a total of $22.2 million from the general fund for economic development activities, a decrease of $800,000 from the 2003-05 biennium. Major changes made include:
   a. Adding $5 million from the general fund to the Department of Commerce for **centers of excellence** grants.
   b. Removing $2.3 million from the general fund provided to the University System for **centers of excellence** during the 2003-05 biennium.
   c. Removing $1.55 million from the general fund for transfer to the **Development Fund** in the Department of Commerce.
   d. Changing the source of funding from the general fund to the beginning farmers revolving loan fund for the **Ag PACE** ($1,425,000) and the **beginning farmer**s ($950,000) programs.

TRANSPORTATION

1. Anticipates **federal highway construction funds** of $199.7 million for each year of the 2003-05 biennium compared to $182.5 million for each year of the 2003-05 biennium.
2. Recommends increasing the annual **motor vehicle registration fee** by $15, the proceeds of which estimated at $20.1 million for the 2005-07 biennium will be deposited in the state highway fund rather than the highway tax distribution fund.
3. Provides funding for **consulting engineers** of $32.3 million compared to $24.3 million provided for the 2003-05 biennium.

LEWIS AND CLARK BICENTENNIAL

1. Provides $5.6 million from the general fund for Lewis and Clark Bicentennial activities and projects. The 2003 Legislative Assembly appropriated $5.7 million, $5.31 million of which is from the general fund for Lewis and Clark Bicentennial activities and projects for the 2003-05 biennium. Funding recommended for each agency for the 2005-07 biennium includes:
   a. $3.9 million from the general fund for the Tourism Division of the **Department of Commerce** for marketing and promoting Lewis and Clark Bicentennial activities in North Dakota. Of this amount, $3 million is from the proceeds of the additional 1 percent lodging tax approved by the 2003 Legislative Assembly for marketing the Lewis and Clark Bicentennial celebration.
   b. $933,000 from the general fund for the **Historical Society** for Lewis and Clark Bicentennial-related programming and initiatives.
   c. $108,000 from the general fund for the **Council on the Arts** for grants and other costs relating to Lewis and Clark Bicentennial activities.
   d. $618,000 from the general fund for the **Parks and Recreation Department** for capital projects at state parks and other costs associated with Lewis and Clark Bicentennial activities.

MILITARY-RELATED PROGRAMS

1. Provides $5 million from the general fund for a new **veterans' bonus program** which would provide bonuses to North Dakota military personnel serving in active duty after September 11, 2001.
2. Adds $1 million from the general fund for the **National Guard tuition assistance program** to provide a total of $2,007,500.