

EXECUTIVE BUDGET RECOMMENDATIONS REQUIRING STATUTORY CHANGES OR OTHER LEGISLATIVE ACTION

In addition to general agency budget recommendations, elected officials salary increases, and capital construction bonding proposals, the following recommendations included in the executive budget require legislation by the 2003 Legislative Assembly to implement:

REVENUES

1. Increases the cigarette and tobacco tax by approximately 80 percent. The tax on cigarettes would increase by 35 cents per pack, from 44 cents to 79 cents per pack (2003 Senate Bill No. 2076).
2. Decouples the state corporate income tax from the federal corporate income tax (as of December 20, 2002, a bill to make this change has not been introduced).
3. Increases overweight vehicle assessments and fees (2003 House Bill No. 1112). Example increases include:
 - a. The fee for being 2000 pounds overweight increases by \$40, from \$20 to \$60.
 - b. The fee for being 7,500 pounds overweight increases by \$40, from \$600 to \$640.
 - c. The fee for being 15,000 pounds overweight increases by \$300, from \$1,500 to \$1,800.
 - d. The fee for being 25,000 pounds overweight remains at \$5,000.

FUNDING TRANSFERS

1. Provides for transfers from Bank of North Dakota profits to the general fund of \$60 million and contingent transfers of up to \$25 million, the same amounts authorized for the 2001-03 biennium. The transfers may not reduce the Bank's capital structure below \$140 million, the same minimum level set for the 2001-03 biennium. The contingent transfers, subject to Budget Section approval, may be requested by the director of the Office of Management and Budget if revised revenue projections during the 2003-05 biennium indicate that general fund revenues will be less than the estimates approved by the 2003 Legislative Assembly. The transfers may not exceed the actual amount that revenues are less than estimated (Sections 9 and 10 of 2003 Senate Bill No. 2015). Based on the executive budget recommendations that anticipate a total transfer from the Bank of North Dakota of

\$83 million during the 2001-03 biennium and \$60 million during the 2003-05 biennium, the Bank's capital at the end of the 2003-05 biennium is projected to be \$147 million.

2. Provides for transfers from Mill and Elevator Association profits to the general fund of \$5 million, \$1 million less than the \$6 million transfer authorized for the 2001-03 biennium (Section 9 of 2003 House Bill No. 1015).
3. Provides for a transfer from the state bonding fund to the general fund of \$2 million (as of December 20, 2002, a bill authorizing this transfer has not been introduced).
4. Provides for a transfer from the lands and minerals trust fund to the general fund of \$3,000,000, \$545,102 less than the transfer authorized for the 2001-03 biennium (Section 6 of 2003 Senate Bill No. 2015).
5. Provides for a transfer from the student loan trust fund to the general fund of \$9 million, the same amount authorized for the 2001-03 biennium (Section 12 of 2003 Senate Bill No. 2015).
6. Provides for a transfer of the July 1, 2003, balance in the permanent oil tax trust fund to the general fund of an estimated \$14,358,056 (Section 7 of 2003 Senate Bill No. 2015).
7. Amends North Dakota Century Code (NDCC) Section 57-51.1-07.2 to preclude any oil extraction tax or oil and gas production tax collections exceeding \$62 million from being deposited in the permanent oil tax trust fund for the 2003-05 biennium. This change is estimated to result in \$3,415,659 remaining in the general fund rather than being deposited in the permanent oil tax trust fund at the end of the 2003-05 biennium (Section 13 of 2003 Senate Bill No. 2015).

ELEMENTARY EDUCATION

1. Increases per student payments from \$2,347 being provided for the second year of the 2001-03 biennium to \$2,430 for the first year of the 2003-05 biennium and \$2,528 for the second year of the 2003-05 biennium (2003 Senate Bill No. 2154).
2. Adjusts the weighting factors for calculating per student state aid payments to school districts from the current level of 75 percent of the five-year average to 85 percent for the first year of the 2003-05

biennium and to 100 percent for the second year of the 2003-05 biennium (2003 Senate Bill No. 2154).

3. Continues the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for second-year teachers and provides an additional \$500 for each third-year returning teacher in the first year of the 2003-05 biennium and an additional \$1,000 for each fourth-year returning teacher in the second year of the biennium (2003 Senate Bill No. 2154).
4. Changes the formula used for determining school district supplemental payments to allow the Department of Public Instruction to determine the final factor that will result in the expenditure of all funds appropriated for these payments for the biennium (2003 Senate Bill No. 2154).

HIGHER EDUCATION

1. Continues provisions approved by the 2001 Legislative Assembly allowing a continuing appropriation of higher education institutions' special revenue funds, including tuition (2003 House Bill No. 1039 (Legislative Council bill)).
2. Continues authorization for the University System to carry over at the end of each biennium unspent general fund appropriations (2003 House Bill No. 1040 (Legislative Council bill)).
3. Continues the requirement that the budget request for the University System include budget estimates for block grants for a base funding component and for an initiative funding component and a budget estimate for an asset funding component and the requirement that the appropriation for the University System include block grants for a base funding appropriation and for an initiative funding appropriation and an appropriation for asset funding (2003 House Bill No. 1041 (Legislative Council bill)). The Legislative Council recommended that each higher education institution be provided a base funding appropriation, an initiative funding appropriation, and a capital assets appropriation. The executive budget appropriates funding for these components but consolidates the funding for all higher education institutions into one appropriation.
4. Requires the University System performance and accountability report to include an executive summary and specific information regarding education excellence, economic development, student access, student affordability, and financial operations (2003 House Bill No. 1042 (Legislative Council bill)).

HUMAN SERVICES

1. Assesses intermediate care facilities for the mentally retarded (ICF/MR) a quarterly fee equal to 1.5 percent of all facilities' gross revenues for the previous year based on each facility's licensed beds (2003 Senate Bill No. 2153).
2. Removes statutory provisions requiring the Department of Human Services to establish efficiency incentives for nursing facilities (2003 Senate Bill No. 2090).
3. Removes statutory provisions requiring the Department of Human Services to provide an operating margin of at least 3 percent for a nursing facility's direct care and other direct care cost categories (2003 Senate Bill No. 2090).
4. Continues targeted case management and assessment services for eligible elderly and disabled individuals who are at risk of requiring long-term care services. These services were authorized by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2085).
5. Requires the Department of Human Services to establish cost-containment strategies for prescription drugs in the medical assistance program, including the development of a preferred drug list, prior authorization, and the possibility of negotiating supplemental rebates from drug manufacturers (2003 Senate Bill No. 2088).
6. Continues allowing children and family coverage groups and pregnant women to be eligible for medical assistance without considering assets. This change was made by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2074).
7. Continues medical assistance coverage for breast and cervical cancer treatment. This coverage was added by the 2001 Legislative Assembly only for the 2001-03 biennium (2003 Senate Bill No. 2089).
8. Discontinues medical assistance coverage for orthodontic services related to oral maxillofacial surgical services. This coverage was added by the 2001 Legislative Assembly (2003 Senate Bill No. 2087).

BONDING

1. Authorizes the State Building Authority to issue bonds for computer system projects (2003 House Bill No. 1162).
2. Authorizes the State Building Authority to issue \$20 million of bonds for the ConnectND computer system project to be repaid

from fees charged to users of the system (2003 House Bill No. 1022).

3. Authorizes the State Building Authority to issue \$1.5 million of bonds for park improvement projects to be repaid from park revenues (2003 Senate Bill No. 2021).
4. Repeals NDCC Section 55-08-14 that authorizes the Parks and Recreation Department to issue bonds for revenue-producing projects at select state parks (Section 9 of 2003 Senate Bill No. 2021).

WATER COMMISSION

1. Authorizes the Water Commission to issue up to \$60 million of bonds for water-related projects (Section 9 of 2003 Senate Bill No. 2022).
2. Authorizes the Water Commission to obtain up to \$25 million of interim financing from the Bank of North Dakota until bond proceeds are available. The interim financing is to be repaid from either bond proceeds or funds available in the water development trust fund (Sections 7 and 8 of 2003 Senate Bill No. 2022).
3. Authorizes the State Water Commission to sell its maintenance shop property in Bismarck and use the proceeds to purchase land and construct a new maintenance shop (Sections 5 and 6 of 2003 Senate Bill No. 2022).

HEALTH DEPARTMENT

1. Allows the State Department of Health to make joint purchases with public health units (Section 15 of 2003 House Bill No. 1004).

CHILDREN'S SERVICES COORDINATING COMMITTEE

1. Removes percentage restrictions on the maximum balances the Children's Services Coordinating Committee and regional and tribal children's services coordinating committees may maintain in their operating funds at the end of each fiscal year. The \$50,000 maximum balance allowed at the end of each fiscal year remains (Sections 5 and 6 of 2003 House Bill No. 1014).

ATTORNEY GENERAL

1. Allows the Attorney General to use a portion of gaming stamp revenue for costs associated with administering the gaming stamp program in addition to the current authorization to use these funds for the cost of issuing the gaming stamps (Section 4 of 2003 Senate Bill No. 2003).

ETHANOL

1. Changes the formula for distributing ethanol incentive payments to North Dakota ethanol plants (as of December 20, 2002, a bill to make this change has not been introduced).

STATE RADIO

1. Requires political subdivisions to pay a fee for 911 wireless mapping services provided by State Radio pursuant to agreements with political subdivisions (2003 Senate Bill No. 2064).