

EXECUTIVE SUMMARY

GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2005	\$65,000,000 ¹
Add estimated 2005-07 general fund revenues	1,934,748,154
Total resources available	\$1,999,748,154
Less recommended 2005-07 general fund appropriations	1,989,452,623
Estimated general fund balance - June 30, 2007	\$10,295,531 ²
¹ This amount includes estimated agency general fund turnback of \$12,858,711 and an anticipated transfer of \$64,467,187 to the budget stabilization fund which is the portion of the June 30, 2005, general fund balance that is estimated to exceed \$65 million.	
² In addition, the Legislative Assembly retained an estimated June 30, 2007, balance of \$67.2 million in the budget stabilization fund and \$7.9 million in the permanent oil tax trust fund.	

TOTAL APPROPRIATIONS SUMMARY

	2003-05 Legislative Appropriations	Increase (Decrease)	2005-07 Legislative Appropriations
General fund	\$1,816,885,505	\$172,567,118	\$1,989,452,623
Estimated income	3,289,715,994	473,505,173	3,763,221,167
Total all funds	\$5,106,601,499	\$646,072,291	\$5,752,673,790

2005-07 GENERAL FUND REVENUES

1. Provided for general fund revenues of \$1.999 billion, \$66.3 million more than the 2003-05 biennium revenues as included in the March 2005 revenue forecast. Total 2005-07 biennium revenues are estimated to increase by \$122.8 million excluding one-time federal fiscal relief payments of \$56.5 million received during the 2003-05 biennium.
2. Assumed **revenue growth** (excluding transfers) of approximately 2.15 percent for each year of the 2005-07 biennium.
3. Major areas of **revenue growth** (compared to the March 2005 forecast for the 2003-05 biennium) include:
 - a. Sales and use tax revenue increasing by \$39.7 million or 5.5 percent.
 - b. Individual income tax revenue increasing by \$28 million or 6.4 percent.
 - c. Motor vehicle excise tax revenue increasing by \$6.1 million or 4.7 percent.
4. **Oil tax revenues** are \$71 million, the same as the 2003-05 biennium. North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that oil and gas production and oil extraction tax collections in excess of \$71 million during the biennium be transferred from the general fund to the permanent oil

tax trust fund. For the 2005-07 biennium, oil tax collections are estimated to total \$109 million, of which \$38 million will be transferred to the permanent oil tax trust fund and \$71 million will remain in the general fund. For the 2003-05 biennium, an estimated \$44.3 million is to be transferred to the permanent oil tax trust fund and \$71 million remain in the general fund. The estimated June 30, 2005, balance in the permanent oil tax trust fund is \$45.2 million.

5. Provided for a \$55.3 million transfer from the **permanent oil tax trust fund** to the general fund during the 2005-07 biennium. The estimated June 30, 2007, balance in the permanent oil tax trust fund is \$7.9 million.
6. Included \$60 million from the **Bank of North Dakota**, the same amount authorized for the 2003-05 biennium. The transfer may be made only to the extent the transfer does not reduce the Bank's capital structure below \$150 million.
7. Included \$5 million from the **Mill and Elevator**, the same amount transferred during the 2003-05 biennium.
8. Included \$9 million from the **student loan trust fund**, \$17.3 million less than the amount transferred during the 2003-05 biennium.
9. Included \$16.9 million from the **health care trust fund**, \$19 million less than the amount transferred during the 2003-05 biennium.
10. Included \$6.8 million from the **lands and minerals trust fund**, \$4.8 million more than the amount transferred during the 2003-05 biennium.
11. Anticipated state agency **general fund turnback** of \$12.9 million at the end of the 2003-05 biennium.
12. Included \$10 million of general fund lottery revenues, \$3.8 million or 60.5 percent more than the 2003-05 biennium lottery revenues as estimated in the March 2005 revenue forecast.

2005-07 GENERAL FUND APPROPRIATIONS

1. Provided general fund appropriations of \$1.989 billion, \$172.5 million more than the 2003-05 legislative appropriations.
2. Major general fund appropriations increases (decreases) relate to:
 - a. Department of Human Services - \$73.3 million.
 - b. Department of Public Instruction - \$31.7 million.
 - c. Higher education - \$23.1 million.
 - d. Department of Corrections and Rehabilitation - \$17.7 million.
 - e. Judicial branch - \$9.8 million.
 - f. Adjutant General - \$7.3 million.
 - g. Agriculture research and extension - \$5.8 million.
 - h. Board for Career and Technical Education - \$2.2 million.

- i. Attorney General - \$2 million.
- j. Highway Patrol - \$1.9 million.
- k. Department of Emergency Services - (\$3.9 million).
- l. State Water Commission - (\$8.4 million).

2005-07 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of \$3.76 billion, \$473.5 million more than the 2003-05 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
 - a. Department of Transportation - \$170.6 million.
 - b. Department of Human Services - \$97.8 million.
 - c. Higher education - \$68 million.
 - d. Office of Management and Budget - \$38.8 million.
 - e. Agriculture research and extension - \$24.2 million.
 - f. Department of Emergency Services - \$20.7 million.
 - g. Bank of North Dakota - \$14.8 million.
 - h. Tax Department - \$14 million.
 - i. Game and Fish Department - \$7.8 million.
 - j. Attorney General - \$7 million.
 - k. Adjutant General - \$6.7 million.
 - l. Industrial Commission - \$6.6 million.
 - m. State Department of Health - \$5.8 million.
 - n. State Historical Society - \$5.5 million.
 - o. Department of Commerce - \$5.1 million.
 - p. Children's Services Coordinating Committee - (\$2.5 million).
 - q. Aeronautics Commission - (\$3.4 million).
 - r. Department of Corrections and Rehabilitation - (\$4.8 million).
 - s. State Water Commission - (\$25.4 million).

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

1. Transferred \$88.1 million of special funds to the general fund from the following **sources that may not be available at the same level** during the 2007-09 biennium:
 - a. Permanent oil tax trust fund - \$55,300,000.
 - b. Health care trust fund - \$16,900,000.
 - c. Student loan trust - \$9,000,000.
 - d. Lands and minerals trust fund - \$6,800,000.
 - e. Compulsive gambling fund - \$100,000.
2. Appropriated \$3.2 million from the **health care trust fund** for Department of Human Services programs.

3. Appropriated \$1,425,000 from the **beginning farmer revolving loan fund** for the AgPACE program of the Bank of North Dakota.

HIGHER EDUCATION

1. Increased **general fund** support for higher education by \$23,127,955, or 6.4 percent, compared to the 2003-05 legislative appropriations.
2. Increased support from **special funds** by \$68,005,333, or 61.5 percent, compared to the 2003-05 legislative appropriations due to increasing major capital projects funded from special funds by \$67.8 million.
3. Adjusted the authorized number of **full-time equivalent (FTE) employee positions** from 2,400.38 to 2,194.42 to reflect agency reductions and to report only the number of FTE positions supported by the general fund.
4. Provided \$22,951,652 for University System pools including:
 - a. A **common information services pool** of \$20,563,093 for the State Board of Higher Education to allocate to higher education institutions for support of the Higher Education Computer Network, the Interactive Video Network, the On-line Dakota Information Network, and other related technology initiatives.
 - b. An **operations pool** of \$388,559 for system priorities as determined by the State Board of Higher Education.
 - c. An **equity pool** of \$2 million to address equity at higher education institutions and other campus needs as determined by the State Board of Higher Education.
5. Provided \$5,190,000 from the general fund for the **competitive research** program, which is a \$440,000 increase from the 2003-05 legislative appropriation.
6. Provided funding of \$3,504,402 for **student financial assistance grants**, \$3,332,402 of which is from the general fund and \$172,000 of federal funds, which is a \$574,187 increase in total from the previous biennium, \$1,864,780 from the general fund for the **professional student exchange program**, which is a \$186,480 increase from the previous biennium, and \$862,077 from the general fund for the **scholars program**, which is a \$45,709 increase from the previous biennium.
7. Provided funding of \$183,107,183 for **capital improvements**, including \$7,034,054 for campus extraordinary repairs, \$2,331,554 for energy improvement projects, \$173,304,652 for major capital projects, and \$436,923 for contingency and capital emergency funding.

ELEMENTARY AND SECONDARY EDUCATION

1. Provided a general fund appropriation of \$517,553,759 for **per student, limited English proficiency payments, and transportation aid**, an increase of \$28,173,769, or 5.8 percent, from the 2003-05 appropriation of \$489,379,990. The recommended **per student payment amounts** are \$2,765 during the first year of the biennium, an increase of \$142 (5.4 percent) from the 2004-05 payment of \$2,623 and \$2,879 for the second year, an increase of \$114 (4.1 percent) from the first-year payment. The estimated weighted student units are 107,438 for the first year of the biennium and 106,090 for the second year.
2. Provided a special funds appropriation from the **state tuition fund** of \$71,600,000, an increase of \$2,104,629, or 3 percent, from the 2003-05 appropriation of \$69,495,371. The appropriation will provide payments of approximately \$351 per census unit, an increase of \$16, or 4.8 percent, from the 2003-04 and 2004-05 appropriated payment of \$335.
3. Provided \$50,912,120 from the general fund for **teacher compensation payments**, a decrease of \$941,880 from the 2003-05 appropriation of \$51,854,000. The funding continues the current level of teacher compensation payments of \$1,000 for first-year teachers and \$3,000 for other teachers. Section 30 of House Bill No. 1154 requires each school district to use an amount equal to at least 70 percent of all new money received for per student payments and tuition apportionment for the purpose of increasing the compensation paid to teachers. School districts may be exempted from the requirement if the board of the school district determines by an affirmative vote of two-thirds of its members that complying with the provisions would place the school district in the position of having insufficient fiscal resources to meet its other obligations.
4. Provided a general fund appropriation of \$52,500,000 for **special education grants**, an increase of \$2,601,305, or 5.2 percent, from the 2003-05 appropriation of \$49,898,695.
5. Provided \$5 million from the general fund for **revenue supplemental payments** to school districts, pursuant to NDCC Section 15.1-27-11, the same amount appropriated for the 2003-05 biennium.
6. Provided \$1 million from the general fund for **joint powers agreement incentives**.

HUMAN SERVICES

1. Provided a **total appropriation** of \$1.68 billion to the Department of Human Services, of which \$484 million is from the general fund, a total increase of \$171.2 million, or 11.3 percent. The general fund share increased by \$73.3 million, or 17.8 percent.
2. Authorized the department to **transfer appropriation authority** between line items within each subdivision of the department and between subdivisions of the department for the 2005-07 biennium.
3. Provided **additional state matching funds** of \$35.1 million due to changes in the state's federal medical assistance percentage (FMAP) which is anticipated to decrease from the enhanced rate of 71.31 percent in federal fiscal year 2004 to an estimated 62.37 percent in federal fiscal year 2007 requiring an estimated \$35.9 million of additional state matching funds. The Legislative Assembly provided \$35.1 million of the estimated \$35.9 million needed. The FMAP determines the federal and state share of Medicaid expenditures.
4. Approved the department's request for \$29,188,859 to rewrite the Medicaid management information system (**MMIS**) computer application and make related Vision eligibility computer system changes. Of the total, \$3,667,820 is state matching funds which the Legislative Assembly appropriated from the permanent oil tax trust fund and the remainder is federal funds.
5. Provided for a 2.65 percent **annual inflationary increase** for department providers, including nursing homes, basic care facilities, qualified service providers, developmental disabilities service providers, foster care facilities and providers, and medical service providers.
6. Provided additional funding for **developmental disabilities service providers** to increase the average wage for the providers' employees by 15 cents for the first year of the biennium and 20 cents for the second year.
7. Removed funding of \$1,662,945 from the general fund for the **senior citizen mill levy matching grant program**, in accordance with provisions of Senate Bill No. 2267 which removes the program from the Department of Human Services, establishes a senior citizens services and programs fund, and provides a continuing appropriation from the fund to the State Treasurer for providing senior citizen mill levy matching grants to counties equal to two-thirds of the first mill levied by the county for senior citizen programs.
8. Approved Senate Bill No. 2373 which appropriates \$1.3 million, of which \$500,000 is from the general fund, to the Department of Human Services for establishing a pilot program at either the State Hospital or at a private facility for the **treatment of individuals**

who are chemically dependent on methamphetamine or other controlled substances.

9. Provided an additional \$3.1 million from the general fund and authorized an additional 29.85 new FTE positions to expand the **secure services unit** (sexual offender treatment services and services to individuals that are mentally ill and dangerous) at the State Hospital from a 22-bed to a 42-bed unit.
10. Approved Senate Bill No. 2341 which appropriates \$448,471 of federal funds to the department for establishing a **mandatory drug treatment pilot program** for convicted drug offenders involving the Department of Corrections and Rehabilitation and the Developmental Center. The Developmental Center will provide inpatient drug treatment services to selected individuals under this program.

CAPITAL CONSTRUCTION

1. Included a total of \$944,398,249 for the following capital projects:
 - a. \$227,731,578 for major capital projects.
 - b. \$18,294,470 for extraordinary repairs, including the energy improvement project.
 - c. \$698,372,201 for other projects (including \$629,530,311 for the Department of Transportation and \$42,699,560 for the State Water Commission).

The funding sources for major capital projects, extraordinary repairs, bond payments, and other projects are as follows:

	General Fund	Special Funds
Major capital projects	\$1,986,255	\$225,745,323
Extraordinary repairs	10,829,706	7,464,764
Bond payments	18,249,556	2,146,611
Other projects	334,000	677,642,034
Total	\$31,399,517	\$912,998,732

2. Authorized the State Water Commission to issue up to \$7 million in bonds for **water and flood control projects** during the 2005-07 biennium, in addition to the \$60 million in bonding authority authorized in NDCC Section 61-02.1-02.1.

3. Authorized the following selected projects to be financed by **bonding**:

Office of Management and Budget - Fire suppression system	\$3,155,000
Attorney General's office - Crime lab addition and renovation	3,632,691
University of North Dakota - Energy improvement project	2,331,554 ¹
North Dakota State University - Hazardous material handling and storage facility	3,500,000
North Dakota State College of Science - Electrical distribution	736,000
Dickinson State University - Murphy Hall	4,100,557
Minot State University - Bottineau - Thatcher Hall addition	2,500,000
Department of Corrections and Rehabilitation	
James River Correctional Center - ET building improvements	980,000
James River Correctional Center - Programs building code improvements	584,000
North Central Research Center - Agronomy laboratory and greenhouse	440,000 ²
Central Grasslands Research Extension Center - Office addition	270,000 ³
Main Research Center - Greenhouse complex	2,000,000 ⁴
State Historical Society	
Chateau de Mores Interpretive Center	1,100,000 ⁵
Heritage Center research collections expansion	5,500,000 ⁶
Parks and Recreation Department - Turtle River State Park administrative office	350,000 ⁷
Total	\$31,179,802

¹The University of North Dakota energy improvement project bonds will be repaid with resulting energy cost-savings.

²In addition to the \$440,000 appropriated from bond proceeds, the Legislative Assembly also appropriated \$1,250,000 of federal and other funds, for a total of \$1,690,000 appropriated for the North Central Research Center agronomy laboratory and greenhouse.

³In addition to the \$270,000 appropriated from bond proceeds, the Legislative Assembly also appropriated \$80,000 of federal and other funds, for a total of \$350,000 appropriated for the Central Grasslands Research Extension Center office addition.

⁴In addition to the \$2 million appropriated from bond proceeds, the Legislative Assembly also appropriated \$5 million of federal and other funds, for a total of \$7 million appropriated for the Main Research Center greenhouse complex.

⁵In addition to the \$1,100,000 appropriated from bond proceeds, the Legislative Assembly also appropriated \$500,000 of federal and other funds, for a total of \$1,600,000 appropriated for the Chateau de Mores Interpretive Center.

⁶In addition to the \$5,500,000 appropriated from bond proceeds, the Legislative Assembly also appropriated \$200,000 of federal and other funds, for a total of \$5,700,000 appropriated for the State Historical Society and Heritage Center research collections expansion.

⁷In addition to the \$350,000 appropriated from bond proceeds, the Legislative Assembly also appropriated \$350,000 of federal and other funds, for a total of \$700,000 appropriated for the Parks and Recreation Department Turtle River State Park administrative office building.

STATE EMPLOYEES

1. Provided funding for state employee **salary increases** equal to 4 percent for each year of the biennium. Funding provided for these increases totals \$41.5 million, \$19.8 million of which is from the general fund. No specific funding was provided to higher education institutions for salary increases, with the intent that any salary increases provided be from existing appropriation authority and other resources.
2. Continued funding for the cost of **health insurance premiums** for state employees at \$554 per month per employee, an increase of \$65, or 13.3 percent compared to the 2003-05 biennium premium of \$489. Funding provided for this increase totals \$13.2 million, \$5.3 million of which is from the general fund.
3. Authorized a total of 10,631.95 **FTE positions**, 154.48 FTE positions fewer than the 2003-05 authorized level and 17.05 FTE positions more than the executive recommendation. The 2003-05 authorized level includes a reduction of 688.17 higher education FTE positions to reflect campus reductions and to report only the number of FTE positions funded from the general fund. The net increase, excluding higher education, is 51.48 positions.
4. Provided \$1.5 million from the general fund to the **Department of Corrections and Rehabilitation** for **market equity adjustments**, \$1 million for correctional officers and \$500,000 for all the department's employees. In addition, intent was provided that the Department of Corrections and Rehabilitation provide up to \$250,000 in market equity adjustments for employees in the Field Services Division to the extent general fund savings can be identified from within the department's existing budget.

CORRECTIONS

1. Provided a total of \$1.5 million from the general fund for a **salary equity pool**, of which \$1 million is for correctional officers and \$500,000 is for all the department's employees. The executive recommendation included the \$1 million from the general fund for salary equity adjustments for correctional officers. The Legislative Assembly also added a section of legislative intent to Senate Bill No. 2015 to provide that if the Department of Corrections and Rehabilitation can identify \$250,000 of general fund savings within its 2005-07 biennium appropriation, the department may use that savings to provide additional salary equity adjustments for employees in the Field Services Division.

2. Provided a total of \$8,433,190 for **inmate contract housing** for the daily housing costs and medical expenses related to contract housing female inmates at the Dakota Women's Correctional Rehabilitation Center in New England and to house excess male inmates at county jails and private facilities.
3. Provided \$910,800 from the general fund for an **assessment center program** to be managed by the Department of Corrections and Rehabilitation and another private or public agency to provide further assessment and evaluation of offenders.
4. Authorized the addition of 3 FTE positions for a 90-day **relapse program** at the Missouri River Correctional Center for parole violators that use drugs or alcohol in violation of their parole agreement.
5. Authorized the issuance of \$1,564,000 of bonds for **building improvements and code improvements** at the James River Correctional Center in Jamestown.

INFORMATION TECHNOLOGY DEPARTMENT

1. Provided funding of \$108,907,227, of which \$9,972,837 is from the general fund and \$98,934,390 from special funds, to the Information Technology Department. The funding is summarized as follows:

	General Fund	Special Funds	Total
Information Technology Department operations	\$811,484	\$79,635,664	\$80,447,148
Division of Independent Study	1,011,558	5,025,542	6,037,100
Educational Technology Council	887,852		887,852
EduTech	2,652,348		2,652,348
Wide area network	3,396,755	4,147,400	7,544,155
Geographic information system	687,750		687,750
Criminal Justice Information Sharing Initiative	525,090	2,000,000	2,525,090
Contingent appropriation		8,125,784	8,125,784
Total	\$9,972,837	\$98,934,390	\$108,907,227

2. Authorized a total of 265.2 FTE positions, 8.5 FTE positions more than the 2003-05 authorized level. The additional positions include 10 FTE positions authorized for the development and implementation of the Department of Human Services Medicaid management information system. The 10 FTE positions are only authorized until the development and implementation of the Medicaid management information system is completed.

ECONOMIC DEVELOPMENT

1. Provided a total of \$19.2 million from the general fund for economic development activities, a decrease of \$3.8 million from the 2003-05 biennium. Major items include:
 - a. Funding of \$5.7 million from the general fund for the partnership in assisting community expansion (PACE) fund at the Bank of North Dakota, the same as the executive recommendation and the 2003-05 biennium appropriation.
 - b. Providing \$1.2 million from the general fund for a newly created Biodiesel PACE program at the Bank of North Dakota.
 - c. Funding of \$1,480,628 from the general fund for Work Force 2000 in Job Service North Dakota, \$96 less than the executive recommendation and \$230,724 more than the 2003-05 biennium appropriation.
 - d. \$1,350,000 from the general fund for workforce training contracts in the Board for Career and Technical Education, the same as the executive recommendation and the 2003-05 biennium appropriation.
 2. Provided \$1,425,000 from the beginning farmer revolving loan fund for the Ag PACE program at the Bank of North Dakota, the same as recommended in the executive budget. The 2003 Legislative Assembly provided \$1,425,000 for this program from the general fund.
 3. Authorized the Office of Management and Budget to borrow up to \$20 million from the Bank of North Dakota as directed by the Centers of Excellence Commission for providing centers of excellence grants. The Office of Management and Budget may use up to \$16 million from the permanent oil tax trust fund to repay the funds borrowed and accrued interest by the end of the 2005-07 biennium.
- a. Increasing the motor vehicle fuel (gasoline and gasohol) and special fuels (diesel) tax rate by 2 cents per gallon, from 21 to 23 cents. This increase is estimated to generate \$20.4 million for the 2005-07 biennium, of which \$12.8 million is deposited in the state highway fund and \$7.6 million is distributed to cities and counties.
 - b. Making pickup truck registration fees equivalent to passenger vehicle fees by providing for 50 percent of the increase necessary to make this change during the 2005-07 biennium and the remainder beginning July 2007. This change is estimated to generate \$3.8 million for the 2005-07 biennium, of which \$2.4 million is deposited in the state highway fund and \$1.4 million distributed to cities and counties.
 - c. Increasing annual motor vehicle registration fees by \$10 for deposit directly in the state highway fund. This increase is estimated to generate \$13.4 million for the state highway fund during the 2005-07 biennium. After this increase, a total of \$13 of each registration fee is deposited directly in the state highway fund rather than the highway tax distribution fund.
4. Increased the annual motor vehicle registration fee dedicated for public transportation services from \$2 to \$3 and appropriated a total of \$4,650,000 for **public transportation grants**, \$1,550,000 more than the 2003-05 biennium.

LEWIS AND CLARK BICENTENNIAL

1. Anticipated that North Dakota will receive \$202.3 million of federal highway construction funds in federal fiscal year 2005 and \$205 million in federal fiscal year 2006.
2. Estimated that an additional \$22.9 million of state highway fund money would be needed to match the anticipated level of federal highway construction funds and that an additional \$8.5 million of state matching funds would be needed for federal emergency relief projects. Of this \$31.4 million of additional state matching funds needed, the Legislative Assembly increased taxes and fees as explained in No. 3 below to generate an estimated \$28.6 million of additional highway fund revenues during the 2005-07 biennium.
3. Provided for additional highway revenues by:
 1. Provided \$5.6 million, from the general fund for Lewis and Clark Bicentennial activities and projects. The 2003 Legislative Assembly appropriated \$5.7 million, of which \$5.31 million was from the general fund for Lewis and Clark Bicentennial activities and projects for the 2003-05 biennium. Funding appropriated for each agency for the 2005-07 biennium includes:
 - a. \$3,932,644 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.
 - b. \$932,420 from the general fund to the State Historical Society for Heritage Center museum exhibits, public programming and interpretation, salaries, and operating costs associated with Lewis and Clark Bicentennial activities.
 - c. \$108,300 from the general fund for the Council on the Arts for Lewis and Clark Bicentennial activities and continuing programs.
 - d. \$617,335 from the general fund for the Parks and Recreation Department for capital projects at state parks, salaries, and

operating costs associated with Lewis and Clark Bicentennial activities.