

## SUMMARY OF KEY RECOMMENDATIONS

### GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2007	\$211,497,359 <sup>1</sup>
Add estimated 2007-09 general fund revenues and transfers	2,291,185,060
Total resources available	\$2,502,682,419
Less recommended 2007-09 general fund appropriations	2,468,326,339
Estimated general fund balance - June 30, 2009	\$34,356,080 <sup>2</sup>

<sup>1</sup>This amount reflects a transfer of \$100,527,369 from the June 30, 2007, general fund balance to the budget stabilization fund, \$10,560,670 of recommended 2005-07 deficiency appropriations, and \$10,000,000 of estimated 2005-07 unspent general fund appropriation authority.

<sup>2</sup>In addition, the budget stabilization fund is projected to have a June 30, 2009, balance of \$200 million and the permanent oil tax trust fund is projected to have a June 30, 2009, balance of \$178.6 million.

### TOTAL APPROPRIATIONS SUMMARY

	2005-07 Legislative Appropriations	Increase (Decrease)	2007-09 Executive Budget
General fund	\$1,989,452,623	\$478,873,716	\$2,468,326,339
Estimated income	3,763,221,167	101,654,928	3,864,876,095 <sup>1</sup>
Total all funds	\$5,752,673,790	\$580,528,644	\$6,333,202,434 <sup>1</sup>

<sup>1</sup>The amounts shown do not reflect \$116.7 million for property tax relief included in the executive budget recommendation as a continuing appropriation from the permanent oil tax trust fund.

### 2007-09 GENERAL FUND REVENUES

- Includes **general fund revenues** of \$2.21 billion, \$427 million, or 24 percent more than the 2005-07 biennium revenues as projected at the close of the 2005 Legislative Assembly.
- Includes an **estimated beginning general fund balance** of \$211.5 million after making the recommended transfer of \$100.5 million to the budget stabilization fund. The projected July 1, 2007, balance made at the close of the 2005 Legislative Assembly was \$10.3 million.
- Projects state agency **general fund turnback** of \$10 million at the end of the 2005-07 biennium.
- Major areas of **revenue growth** as compared to the original 2005-07 forecast include:
  - Sales and use taxes increasing by \$163 million or 21.4 percent.
  - Individual income taxes increasing by \$143.6 million or 30.9 percent.
  - Corporate income taxes increasing by \$80.8 million or 96.4 percent.
  - Interest income increasing by \$26 million or 248.6 percent.

- Reduces **transfers from special funds** by \$70.1 million, from \$154.5 million in 2005-07 to \$84.4 million in 2007-09. Major transfers and changes include:
  - Transfers \$60 million from the Bank of North Dakota, the same amount authorized for the 2005-07 biennium.
  - Transfers \$5 million from the Mill and Elevator, the same amount authorized for the 2005-07 biennium.
  - Discontinues the \$16.9 million transfer during the 2005-07 biennium from the health care trust fund.
  - Discontinues the \$55.3 million transfer during the 2005-07 biennium from the permanent oil tax trust fund.
  - Reduces the transfer from the interest earnings of the student loan trust fund by \$5.9 million, from \$9 million in 2005-07 to \$3.1 million for 2007-09.
  - Increases the transfer from the lands and minerals trust fund by \$8.2 million, from \$6.8 million in 2005-07 to \$15 million in 2007-09.
- Anticipates **oil prices** to average \$50 per barrel during the first year of the 2007-09 biennium and projects prices to decline to an average price of \$45 per barrel by the end of the biennium. The average oil price in November 2006 for North Dakota crude oil was \$50.68 per barrel.
- Oil production** for September 2006 averaged 113,112 barrels per day and is anticipated to increase to 115,000 barrels per day by the end of the 2005-07 biennium. Oil production is anticipated to increase to 116,000 barrels per day during fiscal year 2008 and continue to increase to approximately 119,000 barrels per day by the end of fiscal year 2009.

### 2007-09 GENERAL FUND APPROPRIATIONS

- Includes general fund appropriations of \$2.47 billion, \$478.9 million more than the 2005-07 legislative appropriations.
- Major general fund appropriations increases (decreases) relate to:
  - Department of Human Services - \$87.9 million.
  - Higher education - \$83.1 million.
  - Department of Public Instruction - \$74.9 million.
  - Department of Corrections and Rehabilitation - \$66.9 million.
  - State employee salary and health insurance - \$32.8 million.
  - Office of Management and Budget - \$29.1 million.
  - Department of Transportation - \$20 million.
  - Main Research Center - \$12.3 million.
  - State Water Commission - \$12 million.

## 2007-09 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of \$3.86 billion, \$101.7 million more than the 2005-07 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
  - a. Federal funds - \$97.8 million.
  - b. Higher education - (\$49.1 million).
  - c. Office of Management and Budget - (\$27.7 million).
  - d. State Water Commission - \$26 million.
  - e. Workforce Safety and Insurance - \$16.5 million.
  - f. Information Technology Department - \$14.9 million.
  - g. Tax Department - (\$12.3 million).
  - h. Public Employees Retirement System - \$9.8 million.
  - i. Department of Transportation - (\$9.1 million).
  - j. Housing Finance Agency - \$8 million.
  - k. Industrial Commission - \$6.2 million.
  - l. State Fair Association - \$5 million.

## 2007-09 - ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS

1. Projects "ongoing" general fund revenues of \$2.29 billion for the 2007-09 biennium, \$10.6 million more than the recommended "ongoing" general fund appropriations of \$2.28 billion.
2. Identifies \$187.7 million of "one-time" general fund appropriations and \$116.7 million of recommended property tax relief funding from the permanent oil tax trust fund to spend of the estimated \$706.8 million of "one-time" resources available in the general fund and permanent oil tax trust fund for the 2007-09 biennium.
3. Retains an estimated \$413 million at the end of the 2007-09 biennium, \$34.4 million in the general fund, \$178.6 million in the permanent oil tax trust fund, and \$200 million in the budget stabilization fund.

## HIGHER EDUCATION

1. Increases **general fund** support by \$83.1 million, or 21.5 percent, including approximately \$30.6 million of one-time funding from the general fund. The increase in funding is due in part to increasing funding for campus operations and extraordinary repairs by approximately \$54.8 million, increasing funding for major capital projects by approximately \$13.8 million, and increasing funding for student financial assistance by approximately \$4.2 million.
2. Decreases support from **special funds** by \$49.1 million, or 27.5 percent, due to decreasing major capital projects funding from special funds by approximately \$48.9 million.
3. Adjusts the authorized number of **full-time equivalent (FTE) positions** from 2,194.42 for the 2005-07 biennium to 2,134.59 for the

2007-09 biennium to reflect the number of FTE positions supported by the general fund.

4. Provides \$33.8 million from the general fund for **campus parity** as requested by the State Board of Higher Education for costs to continue the fiscal year 2007 legislatively authorized salary increases, 5 percent per year salary increases for the 2007-09 biennium, estimated health insurance increases, and 2.4 percent annual inflationary increases for operating costs. This level of funding represents 96 percent of the general fund portion of parity costs. The remaining funding of approximately \$1.4 million will need to be funded with special funds or reallocation.
5. Provides \$10 million from the general fund for **campus equity** payments.
6. Provides \$6 million, of which \$5.8 million is from the general fund and \$164,000 is from federal funds, for the **student financial assistance grant program**. This level represents a total funds increase of \$2.5 million from the 2005-07 legislative appropriation of \$3.5 million.
7. Provides a **common information services pool** of \$27.4 million from the general fund for support of the Higher Education Computer Network, the Interactive Video Network (IVN), the On-line Dakota Information Network (ODIN), and other related technology initiatives. The funding includes \$5,120,000 of one-time funding from the general fund, including \$420,000 for parity, \$3.7 million for support of the ConnectND system, and \$1 million for Northern Tier Network infrastructure. This level of funding represents an increase of \$6.8 million from the 2005-07 adjusted appropriation of \$20.6 million.

## ELEMENTARY AND SECONDARY EDUCATION

1. Provides funding of \$777.2 million, of which \$701 million is from the general fund and \$76.2 million is from the state tuition fund, for the **proposed new state school aid program**. This level of funding represents an increase of \$78.6 million, of which \$74 million is from the general fund and \$4.6 million is from the state tuition fund, compared to the 2005-07 legislative appropriation of \$698.6 million.
2. Provides \$900,000 of **one-time general fund appropriations** to rewrite the state school aid computer system required as a result of the proposed new funding plan (\$400,000) and to rewrite the current teacher licensure application used by the department and the Education Standards and Practices Board (\$500,000).
3. Increases **federal funding for other grants** by approximately \$19.5 million from the 2005-07 appropriation of \$204.5 million due to an increase for IDEA Part B special education grants.

## HUMAN SERVICES

1. Provides a total general fund appropriation for the Department of Human Services of \$582.2 million, \$97.7 million, or 20.2 percent more than the \$484.4 million appropriated for the 2005-07 biennium.
2. Adds \$9.1 million from the general fund for 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 64.72 percent in federal fiscal year 2007 to 63.75 percent in federal fiscal year 2008 and then increasing to an estimated 64.08 percent in federal fiscal year 2009.
3. Provides \$38.3 million, of which \$14.1 million is from the general fund for **inflationary increases** for the department's service providers of 3 percent for each year of the biennium. The 2005 Legislative Assembly approved 2.65 percent annual inflationary increases for the 2005-07 biennium.
4. Provides \$31.1 million, of which \$3.7 million is from the general fund, for additional costs of rewriting the **Medicaid management information system (MMIS)** computer application. The 2005 Legislative Assembly provided \$29.2 million, of which the state matching share of \$3.7 million is from the permanent oil tax trust fund.
5. Adds \$56.2 million, of which \$18.6 million is from the general fund, for **cost, caseload, and utilization changes** for major grant programs, including Medicaid, long-term care, developmental disabilities, basic care, foster care, child care, subsidized adoption, food stamps, etc.
6. Adds \$10.7 million, of which \$3.9 million is from the general fund, for increasing the average wage of **employees of developmental disabilities service providers** by 60 cents per hour.
7. Adds \$2.8 million from the general fund in the Division of Mental Health and Substance Abuse to phase in a **community-based sex offender treatment** program to provide services for up to 140 offenders.
8. Provides \$3.1 million from the general fund for costs of **constructing a high security addition** to the secure services unit at the State Hospital. The secure services unit provides sex offender treatment services and services to individuals that are mentally ill and dangerous.
9. Adds \$3.6 million from the general fund and 36 FTE positions for **expanding the secure services unit** from 42 to 82 beds. Of the 40 new beds, 20 were added during the 2005-07 biennium, upon Emergency Commission approval.

## CAPITAL CONSTRUCTION

1. Includes a total of \$901.9 million for the following capital projects:
  - a. \$267.3 million for major capital projects.
  - b. \$40.3 million for extraordinary repairs.

c. \$594.3 million for bond payments and other projects.

The funding sources for capital projects are:

	General Fund	Special Funds
Major capital projects	\$85,519,065	\$181,776,227
Extraordinary repairs	29,722,017	10,574,705
Bond payments	20,176,522	1,698,711
Other projects	600,000	571,875,487
Total	\$136,017,604	\$765,925,130

2. The executive budget does not recommend any major capital construction projects to be financed by bonding which would need to be repaid from the general fund.

## STATE EMPLOYEES

1. Provides funding for **state employee salary increases** equal to 4 percent of salaries, with a minimum increase of \$75 per month effective July 1, 2007, and a 4 percent with a \$75 minimum effective July 1, 2008.
2. Provides funding for Supreme Court **justices'** and district court **judges'** salary increase of 6 percent for the first year of the biennium and 7 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 \$658.08 per month for state employee health insurance premiums, an increase of \$104.14, or 18.8 percent, compared to the 2005-07 premium of \$553.94 per month.
4. Provides \$10 million to the Office of Management and Budget for **market equity compensation adjustments** for classified state employees. Of the \$10 million, \$5 million is from the general fund and \$5 million is from special funds.
5. Includes a total of 10,809.83 FTE positions, 177.73 FTE positions more than the 2005-07 authorized level.

## CORRECTIONS

1. Provides a total general fund appropriation for the Department of Corrections and Rehabilitation of \$172.7 million, \$71.6 million, or 70.8 percent more than the \$101.1 million appropriated for the 2005-07 biennium.
2. Provides \$42 million from the general fund for the **prison expansion and renovation project** to provide a net increase of 244 prison beds.
3. Adds \$2.9 million from the general fund for 29.51 **new FTE** positions.
4. Adds \$3.8 million from the general fund to provide a total of \$9.6 million for **contract housing**.
5. Provides \$748,234 from the general fund for **employee reclassifications**.

6. Adds \$1.5 million from the general fund for **new halfway house** programming.
7. Adds \$1.5 million from the general fund for **new transition** programming.
8. Adds \$13.3 million, of which \$9.5 million is from the general fund, for **inflationary increases and workload adjustments**.
9. Provides \$2.3 million from the general fund for **deferred maintenance**.

### INFORMATION TECHNOLOGY

1. Recommends \$130.6 million, of which \$51.2 million is from the general fund, for state **agency information technology projects** for the 2007-09 biennium.
2. Adds \$1.2 million from the general fund for two new FTE positions and related operating expenses for the Information Technology Department for continued development relating to the **Criminal Justice Information Sharing Initiative**.
3. Includes \$13.5 million of special funds and 15 new FTE positions for the Information Technology Department to assist the Department of Human Services and selected vendor with the rewrite of **the Medicaid management information system**.
4. Includes \$1.6 million of special funds for 2.5 new FTE positions and related operating expenses for the Information Technology Department to support a **business intelligence initiative**.

### ECONOMIC DEVELOPMENT

1. Establishes a **Biofuels PACE** fund and appropriates \$4.2 million from the general fund, \$3 million more than the \$1.2 million appropriated for the Biodiesel PACE fund for the 2005-07 biennium.
2. Provides \$1.4 million from the general fund for the North Dakota **Trade Office**, \$700,000 more than the \$700,000 appropriated from the Development Fund and Mill and Elevator profits for the 2005-07 biennium.

3. Recommends a \$3 million general fund appropriation for the **Development Fund**.
4. Appropriates \$1.2 million from the general fund and authorizes 10 FTE positions for **educating students and their parents** about career opportunities in target industries in North Dakota.
5. Provides \$400,000 from the general fund for postsecondary student **internships**.

### TRANSPORTATION

1. Anticipates **federal highway construction funds** of \$445 million for the 2007-09 biennium compared to \$407.3 million for the 2005-07 biennium.
2. Appropriates \$20 million from the **general fund** to the Department of Transportation for deferred maintenance and repairs on state highways and for equipment purchases and information technology projects.
3. Includes \$2 million from the highway fund for beginning the **repayment of the grant anticipation revenue vehicle bonds** issued during the 2005-07 biennium for the United States Highway 2 four-lane project and for the Liberty Memorial Bridge project.

### MILITARY-RELATED PROGRAMS

1. Removes funding provided in the 2005-07 biennium for the **veterans' bonus program**. The executive budget recommends unexpended funds from the 2005-07 legislative appropriation be carried over and utilized for similar bonuses during the 2007-09 biennium.
2. Increases funding for the **tuition and enlistment compensation program** by \$400,000, from \$2,007,500 to \$2,407,500, for recruitment and retention bonuses.

### PROPERTY TAX RELIEF

1. Provides a continuing appropriation to the State Treasurer of up to \$116.7 million from the permanent oil tax trust fund for providing property tax relief payments to counties.