

SUMMARY OF KEY RECOMMENDATIONS

GENERAL FUND BUDGET SUMMARY

Estimated unobligated general fund balance - July 1, 2009	\$391,840,942 ¹
Add estimated 2009-11 general fund revenues and transfers	2,783,873,000
Total resources available	\$3,175,713,942
Less recommended 2009-11 general fund appropriations	3,110,921,665 ²
Estimated general fund balance - June 30, 2011	\$64,792,277 ³
¹ This amount reflects a transfer of \$111,092,167 from the June 30, 2009, general fund balance to the budget stabilization fund, \$22,532,907 of recommended 2007-09 deficiency appropriations, and \$10,000,000 of estimated 2007-09 unspent general fund appropriation authority.	
² This amount consists of \$2,753,672,083 of ongoing general fund appropriations and \$357,249,582 of one-time general fund appropriations.	
³ In addition, the budget stabilization fund is projected to have a June 30, 2011, balance of \$311 million and the permanent oil tax trust fund is projected to have a June 30, 2011, balance of \$829 million.	

TOTAL APPROPRIATIONS SUMMARY

	2007-09 Legislative Appropriations	Increase (Decrease)	2009-11 Executive Budget
General fund	\$2,461,973,956 ¹	\$648,947,709	\$3,110,921,665
Estimated income	4,020,515,084	578,119,398	4,598,634,482 ²
Total all funds	\$6,482,489,040 ¹	\$1,227,067,107	\$7,709,556,147 ²
¹ The amounts shown reflect a \$5 million contingent general fund appropriation for school district deferred maintenance and physical plant improvement grants which became effective in February 2008.			
² The amounts shown do not reflect \$300 million for property tax relief included in the executive budget recommendation as a continuing appropriation from the permanent oil tax trust fund.			

2009-11 GENERAL FUND REVENUES

- Includes **general fund revenues** of \$2.68 billion, \$618.7 million, or 30.1 percent, more than the 2007-09 biennium revenues as projected at the close of the 2007 Legislative Assembly.
- Includes an **estimated beginning general fund balance** of \$391.8 million after making the recommended transfer of \$111.1 million to the budget stabilization fund. The projected July 1, 2009, balance made at the close of the 2007 Legislative Assembly was \$18.66 million.
- Projects state agency **general fund turnback** of \$10 million at the end of the 2007-09 biennium.
- Major areas of **revenue growth** as compared to the **original** 2007-09 forecast include:
 - Sales and use taxes increasing by \$229.5 million, or 25 percent.
 - Individual income taxes increasing by \$177.7 million, or 35.7 percent. Individual income taxes reflect a revenue reduction of \$100 million relating to income tax relief.

- Corporate income taxes increasing by \$114.3 million, or 76.9 percent.
 - Interest income increasing by \$23.6 million, or 64.7 percent.
- Recommends **reducing individual income tax** brackets by 8 percent to 20 percent decreasing general fund collections by \$100 million.
 - Does not extend the **property tax income tax credits** approved by the 2007 Legislative Assembly for the 2007-09 biennium and provides for the distribution of \$300 million from the permanent oil tax trust fund for property tax relief for 2009-11.
 - Reduces **transfers from special funds** by \$92 million, from \$199 million in 2007-09 to \$107 million in 2009-11. Major transfers and changes include:
 - Transfers \$60 million from the Bank of North Dakota, the same amount authorized for the 2007-09 biennium.
 - Transfers \$2.5 million from the Mill and Elevator Association, \$2.5 million less than the amount authorized for the 2007-09 biennium. The executive budget recommends repealing the transfer of \$5 million for the 2007-09 biennium.
 - Discontinues the \$3.1 million transfer during the 2007-09 biennium from the student loan trust fund.
 - Discontinues the \$115 million transfer during the 2007-09 biennium from the permanent oil tax trust fund.
 - Increases the transfer from the lands and minerals trust fund by \$28.5 million, from \$15 million in 2007-09 to \$43.5 million in 2009-11.
 - Anticipates **oil prices** to average \$58.56 per barrel during the first year of the 2009-11 biennium and projects prices to increase to an average price of \$61 per barrel by the end of the biennium. The average oil price in November 2008 for North Dakota crude oil was \$43.87 per barrel and the price on December 22, 2008, was \$19.77.
 - Oil production** for September 2008 averaged 188,246 barrels per day and is anticipated to increase to 200,000 barrels per day by the end of the 2007-09 biennium. Oil production is anticipated to increase to 210,000 barrels per day during fiscal year 2010 and continue to increase to approximately 215,000 barrels per day by the end of fiscal year 2011. The preliminary average oil production for October 2008 was 203,785 barrels per day.
 - Increases the maximum amount of oil and gas tax collections that may be deposited in the general fund from the current level of \$71 million to \$110 million. Additional amounts are deposited in the permanent oil tax trust fund.
 - Increases the maximum allocations of oil and gas taxes to individual counties by \$1 million per year. The increase is anticipated to provide

additional revenue of \$7.7 million to counties and reduce revenues to the permanent oil tax trust fund by \$7.7 million for the 2009-11 biennium.

12. Increases the maximum amount of oil and gas tax collections that may be deposited in the oil and gas impact grant fund from the current level of \$6 million to \$20 million per biennium. This change is estimated to reduce permanent oil tax trust fund revenues by \$14 million for the 2009-11 biennium.

2009-11 GENERAL FUND APPROPRIATIONS

	2007-09 Legislative Appropriations	Increase (Decrease)	2009-11 Executive Budget
Ongoing appropriations	\$2,317,447,307	\$436,224,776	\$2,753,672,083
One-time appropriations	144,526,649	212,722,933	357,249,582
Total	\$2,461,973,956	\$648,947,709	\$3,110,921,665

1. Includes general fund appropriations of \$3.1 billion, \$648.9 million more than the 2007-09 legislative appropriations.
2. Major general fund appropriations increases relate to:
 - a. Higher education - \$145.6 million.
 - b. Department of Transportation - \$120 million.
 - c. Department of Human Services - \$113.9 million.
 - d. Department of Public Instruction - \$104.5 million.
 - e. State employee salary and health insurance - \$53.7 million.
 - f. State Historical Society - \$20 million.
 - g. State Fair Association - \$16.5 million.
 - h. Main Research Center - \$12.2 million.
 - i. Judicial branch - \$11.4 million.

2009-11 SPECIAL FUNDS APPROPRIATIONS

1. Includes special funds (estimated income) appropriations of \$4.6 billion, \$578.1 million more than the 2007-09 legislative appropriations.
2. Major special funds appropriations increases (decreases) relate to:
 - a. Federal funds - \$360.1 million.
 - b. State Water Commission - \$96.8 million.
 - c. Tobacco Prevention and Control Advisory Committee - \$18.6 million.
 - d. Department of Transportation - \$17.3 million.
 - e. Office of Management and Budget - (\$16.5 million).
 - f. Land Department - \$14.7 million.
 - g. Department of Public Instruction - \$9.3 million.
 - h. Public Employees Retirement System - (\$9.1 million).
 - i. State Historical Society - \$7.9 million.
 - j. Veterans Home - (\$7.2 million).

2009-11 - ONGOING AND ONE-TIME RESOURCES AND APPROPRIATIONS

1. Projects "ongoing" general fund revenues of \$2.68 billion and transfers of \$107.3 million for the 2009-11 biennium, \$30.2 million more than the recommended "ongoing" general fund appropriations of \$2.75 billion.
2. Recommends \$357.2 million of "one-time" general fund appropriations and \$300 million of ongoing property tax relief funding from the permanent oil tax trust fund from the estimated \$1,520.9 million of "one-time" resources available in the general fund and permanent oil tax trust fund for the 2009-11 biennium.
3. Retains an estimated \$1,204.9 million at the end of the 2009-11 biennium, \$64.8 million in the general fund, \$829 million in the permanent oil tax trust fund, and \$311.1 million in the budget stabilization fund.

HIGHER EDUCATION

1. Increases **general fund** support by \$145,575,323, or 31.1 percent, including approximately \$74.1 million of one-time funding from the general fund. The increase in funding is due in part to increasing funding for campus operations by approximately \$49 million, increasing funding for major capital projects by approximately \$33.1 million, and increasing funding for student financial assistance by approximately \$34 million.
2. Decreases support from **special funds** by \$1,023,657, or .6 percent.
3. Adjusts the authorized number of **full-time equivalent (FTE) positions** from 2,136.59 to 2,141.42 to reflect the number of FTE positions supported by the general fund.
4. Funding of \$49.4 million from the general fund for **campus parity** as requested by the State Board of Higher Education for costs to continue the fiscal year 2009 legislatively authorized salary increases, 5 percent per year salary increases for the 2009-11 biennium, estimated health insurance increases, and operating inflation of 2 percent for fiscal year 2010 and 2.2 percent for fiscal year 2011.
5. Provides \$10 million from the general fund for **campus equity** payments.
6. Funding of \$40,348,428, of which \$40,000,000 is from the general fund and \$348,428 is from federal funds, for the **student financial assistance grant program**. The expanded program will assist approximately 11,340 students compared to the current level of 4,000 students. In addition, the program will increase the average individual student grants from \$800 to \$2,000. Of the \$40,000,000 general fund appropriation, \$700,000 is designated for grants to tribally controlled community colleges to defray the costs of education associated with enrollment of nonbeneficiary students. The total program funding amount represents an increase of \$34,360,931 from the 2007-09 legislative appropriation of \$5,987,497. In addition to the 2007-09 legislative appropriation of \$5,987,497, the Legislative Assembly

provided \$700,000 from the permanent oil tax trust fund for grants to tribally controlled community colleges.

7. A **common information services pool** of \$30,250,638, of which \$29,209,438 is from the general fund and \$1,041,200 is from special funds, is provided 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 an increase of \$2,306,255 for parity, \$1,220,000 for increased bandwidth costs, and \$1,041,200 for ConnectND support positions. This level of funding represents an increase of \$4,267,345 from the 2007-09 ongoing appropriation of \$25,983,293.

ELEMENTARY AND SECONDARY EDUCATION

1. Provides funding of \$891.1 million, of which \$805.6 million is from the general fund and \$85.5 million is from the state tuition fund, for the **state school aid program**. This level of funding represents an increase of \$110.3 million, of which \$101 million is from the general fund and \$9.3 million is from the state tuition fund, compared to the 2007-09 legislative appropriation of \$780.8 million.
2. Provides \$625,000 of **one-time general fund appropriations** for a grant to the North Dakota Geographic Alliance for funds necessary to match funds available from the National Geographic Society (\$125,000) and for one-time programming changes to the department's state automated reporting system (STARS) computer application used to gather school district information (\$500,000).
3. Provides funding of \$38.5 million from the general fund for transportation aid, an increase of \$5 million from the 2007-09 biennium appropriation of \$33.5 million.
4. Provides funding of \$15.5 million from the general fund for special education contract, a decrease of \$2 million from the 2007-09 appropriation.
5. Provides \$2.3 million of funding from the general fund for a new **mentorship grant program** to provide training to new teachers.
6. Provides \$500,000 from the general fund to support three new pilot programs in **instructional coaching**.
7. Increases **federal funding for other grants** by approximately **\$13.2 million**, or 5.9 percent, from the 2007-09 appropriation of \$224 million due to increases in the Early Reading First grant (\$4.5 million), the school food and nutrition program (\$3 million), and in Title I basic grants (\$9.5 million).

HUMAN SERVICES

1. Provides a total general fund appropriation for the Department of Human Services of \$721.5 million, \$127.6 million, or 21.5 percent, more than the \$593.9 million appropriated for the 2007-09 biennium.

2. Adds \$10.2 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 63.15 percent in federal fiscal year 2009 to 63.01 percent in federal fiscal year 2010. The department estimates North Dakota's FMAP to remain at 63.01 percent for federal fiscal year 2011.
3. Adds \$37.7 million, of which \$13.9 million is from the general fund, for **rebasement Medicaid payment rates** for hospitals, physicians, chiropractors, and ambulances beginning the first year of the biennium.
4. Provides \$94.7 million, of which \$37.1 million is from the general fund for a 7 percent **inflationary increase** for the second year of the 2009-11 biennium for rebased services (hospitals, physicians, chiropractors, and ambulances) and 7 percent annual inflationary increases for other service providers. The 2007 Legislative Assembly approved a 4 percent inflationary increase for the first year of the 2007-09 biennium and a 5 percent inflationary increase for the second year of the biennium.
5. Adds \$169.9 million, of which \$17.3 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 \$5.5 million, of which \$2 million is from the general fund, to increase the **medically needy** income levels to 83 percent of the federal poverty level.
7. Adds \$15 million, of which \$4.5 million is from the general fund, for **Healthy Steps** (children's health insurance program), including increasing program eligibility to 200 percent of the federal poverty level. As of October 1, 2008, the Healthy Steps income level is 150 percent of the federal poverty level.
8. Adds \$4.9 million, of which \$4.4 million is from the general fund, for a **global behavioral health initiative** to address the capacity issues at the community level and provide consistent payment rates among all regions for behavioral services.
9. Provides \$4,296,298 of **one-time funding** from the general fund for State Hospital extraordinary repairs (\$3,231,017), Developmental Center extraordinary repairs (\$712,675), and equipment over \$5,000 (\$352,606).

CAPITAL CONSTRUCTION

1. Includes a total of \$1,099.3 million for the following capital projects:
 - a. \$381.3 million for major capital projects.
 - b. \$48.4 million for extraordinary repairs.
 - c. \$669.6 million for bond payments and other projects.

The funding sources for capital projects are:

	General Fund	Special Funds
Major capital projects	\$127,803,817	\$253,510,236
Extraordinary repairs	39,946,988 ¹	8,422,713 ¹
Bond payments	18,301,696	1,098,633
Other projects	311,043	649,894,620
Total	\$186,363,544	\$912,926,202

¹The executive budget identifies that \$23,183,506 of the total extraordinary repair funding of \$48,369,701 is for deferred maintenance.

- 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

- Provides funding for **state employee salary increases** equal to 5 percent of salaries, with a minimum increase of \$100 per month effective July 1, 2009, and a 5 percent increase with a \$100 minimum effective July 1, 2010.
- Provides funding for Supreme Court **justices'** and district court **judges'** salary increase of 5 percent for each year of the biennium.
- Continues funding for the cost of **health insurance** premiums for state employees. The executive budget provides \$825.97 per month for state employee health insurance premiums, an increase of \$167.89, or 25.5 percent, compared to the 2007-09 premium of \$658.08 per month.
- Provides \$24.4 million in **market equity compensation adjustments** to certain agencies. Of the \$24.4 million, \$13.7 million is from the general fund and \$10.7 million from special funds.
- Includes a total of 11,128.18 FTE positions, 163.42 FTE positions more than the 2007-09 authorized level.

CORRECTIONS

- Provides a total general fund appropriation for the Department of Corrections and Rehabilitation of \$173.2 million, \$1.6 million, or .95 percent, more than the \$171.6 million appropriated for the 2007-09 biennium. The 2007-09 general fund appropriation includes a transfer of \$41 million to the State Penitentiary land fund for the prison expansion and renovation project.
- Provides \$22.5 million from the general fund and \$44.5 million from the State Penitentiary land fund for the **prison expansion and renovation project** to provide a net increase of 251 prison beds. The 2007 Legislative Assembly approved a transfer of \$41 million from the general fund to the State Penitentiary land fund during the 2007-09 biennium.
- Adds \$1 million from the general fund for 11 **new FTE** positions.
- Adds \$4 million from the general fund for **salary equity** adjustments.

- Adds \$500,000 from the general fund to provide a total of \$8.6 million for **female contract housing**.
- Provides \$1.7 million from the general fund for **conversion of long-term temporary employees to 21 FTE positions**.
- Adds \$4.5 million from the general fund for a total of \$27.9 million to **house inmates in transitional facilities** including the Missouri River Correctional Center.
- Provides \$1.525 million from the general fund for addressing **deferred maintenance** needs.

INFORMATION TECHNOLOGY

- Recommends \$104.2 million, of which \$58.7 million is from the general fund, for state **agency information technology projects** for the 2009-11 biennium.
- Increases funding for the **statewide longitudinal data system** by \$2,221,315 from the general fund, including \$183,279 of ongoing funding for a new FTE position and \$2,038,036 of one-time funding for contractual services.
- Increases funding for the **statewide wide area network** by \$1,797,064 from the general fund, including \$597,064 of ongoing funding and \$1,200,000 of one-time funding, for increasing the bandwidth to each kindergarten through grade 12 school.
- Increases funding for EduTech by \$4,954,495, of which \$4,196,934 is from the general fund, for the **statewide deployment of the PowerSchool application** for kindergarten through grade 12 schools. Includes the transfer of 22 FTE positions from North Dakota State University to the Information Technology Department and 7 new FTE positions.

ECONOMIC DEVELOPMENT

- Combines the biomass research incentive fund with the **renewable energy development fund** and appropriates \$5 million from the general fund, \$2 million more than the \$3 million appropriated for the renewable energy development fund for the 2007-09 biennium.
- Provides \$2 million from the general fund for the North Dakota **Trade Office**, \$500,000 more than the \$1,500,000 general fund appropriation for the 2007-09 biennium.
- Provides \$400,000, of which \$250,000 is from the general fund, for the **InnovateND program**, an increase of \$100,000 from the 2007-09 appropriation of \$300,000, of which \$150,000 was from the general fund.
- Provides \$1,200,000 from the general fund for the **Operation Intern program**, double the \$600,000 general fund appropriation for the 2007-09 biennium.
- Recommends a transfer of \$2 million from the general fund to the **workforce enhancement fund**, the same amount as transferred in the 2007-09 biennium.

6. Provides \$3.5 million from the general fund for matching grants to local communities to establish or expand **child care options** to support working families.
7. Provides \$2 million from the general fund for installation of biofuels blender pumps and other **alternative energy projects**.

TRANSPORTATION

1. Anticipates **federal highway construction funds** of \$500.9 million for the 2009-11 biennium compared to \$453.7 million for the 2007-09 biennium.
2. Anticipates funding for **federal emergency relief projects** of \$33.7 million for the 2009-11 biennium compared to \$2.5 million for the 2007-09 biennium.
3. Provides a **one-time** transfer of \$120 million from the **general fund** to the highway tax distribution fund for infrastructure repairs and improvements.
4. Provides funding of \$7.5 million from the highway fund for the driver's license computer program replacement project.
5. Changes the highway tax distribution fund formula for allocating motor vehicle fuel tax and registration fee collections to the state, cities, counties, townships, and public transportation programs.

MILITARY-RELATED PROGRAMS

1. Recommends unexpended funds for the **veterans' bonus program** from the 2007-09 biennium of approximately \$1.5 million be carried over and utilized for similar bonuses during the 2009-11 biennium. In addition, the executive budget provides \$500,000 from the general fund to expand eligibility for the veterans' bonus program to include multiple deployments.
2. Provides funding of \$1,057,743 from the general fund to enhance the **reintegration program** to support National Guard members and their families.

PROPERTY TAX RELIEF

1. Provides a separate distribution of \$300 million from the permanent oil tax trust fund through the school funding formula for mill levy reduction and property tax relief. These distributions are to reduce the amount of money school districts need to raise locally through property taxes. Districts will be required to provide a dollar-for-dollar reduction in local taxes for each dollar received.
2. Does not extend the property tax income tax credits approved by the 2007 Legislative Assembly for the 2007-09 biennium which were projected to reduce general fund income tax revenues by \$112 million for the biennium.