

**ANALYSIS OF THE BEGINNING FARMER REVOLVING LOAN FUND CASH BALANCE
FOR THE 2003-05 AND 2005-07 BIENNIUMS**

	2003-05 Biennium	2005-07 Biennium
Beginning balance - Cash	\$8,522,835	\$10,062,835
Add estimated revenues		
Investment interest income	\$142,000	\$240,000
Principal and interest payments on loans	4,944,000	3,400,000
Transfers from the general fund (2003 HB 1015)	950,000	
Transfers from Ag PACE fund	1,300,000	
Total estimated revenues	7,336,000	3,640,000
Total available	\$15,858,835	\$13,702,835
Less estimated expenditures and transfers		
Operating expenses	\$96,000	\$110,000
Buydown interest disbursed	2,100,000	2,700,000
New chattel loans funded	3,600,000	4,750,000
Transfer to Ag PACE for interest buydown (2005 SB 2014)		1,425,000
Transfer to Public Service Commission for the rail rate complaint case (2005 HB 1008)		800,000
Transfer to the agriculture fuel tax fund for the Agricultural Products Utilization Commission (2005 SB 2018)		425,000
Total estimated expenditures and transfers	5,796,000	10,210,000
Estimated ending balance - Cash	\$10,062,835 ¹	\$3,492,835 ^{2, 3}

NOTE: Subsection 8 of North Dakota Century Code (NDCC) Section 6-09-15.5 provides that notwithstanding any other provision of law, the Bank of North Dakota may transfer any unobligated funds between funds that have been appropriated by the Legislative Assembly for interest buydown in the beginning farmer revolving loan fund and the agriculture partnership in assisting community expansion (Ag PACE) fund.

¹In addition to the cash balance as of June 30, 2005, the beginning farmer revolving loan fund is estimated to have net loans outstanding of \$8.3 million.

²In addition to the cash balance as of June 30, 2007, the beginning farmer revolving loan fund is estimated to have net loans outstanding of \$10.6 million.

³Pursuant to subsection 8 of NDCC Section 6-09-15.5, a transfer of up to \$800,000 from the beginning farmer revolving loan fund to the Ag PACE fund may occur if the Ag PACE fund does not have sufficient funds to make the \$800,000 transfer to the Main Research Center for the beef systems center of excellence provided for in Section 8 of 2005 Senate Bill No. 2020. If this transfer occurs, the June 30, 2007, cash balance in the beginning farmer revolving loan fund would be reduced to \$2,692,835.

FUND HISTORY

The beginning farmer revolving loan fund originated in 1983 with passage of Senate Bill No. 2220, now codified as NDCC Section 6-09-15.5, and was established by a \$5 million transfer from the Bank of North Dakota. The loan fund was established for the purpose of making or participating in loans to North Dakota beginning farmers for the purchase of agricultural real estate, equipment, and livestock. The fund is a revolving fund, and all money transferred into the fund, interest upon money in the fund, and payments to the fund of principal and interest on loans made from the fund are appropriated for the purpose of providing loans and to supplement the interest rate on loans to beginning farmers. A loan made from the fund may not exceed 85 percent of the appraised value of the agricultural collateral, with the actual percentage to be determined by the Bank of North Dakota. The maximum term of a real estate loan is 25 years, and the maximum term of a farm equipment or livestock loan is 7 years.

The Bank of North Dakota supervises and administers the beginning farmer revolving loan fund and the loans made by the fund. Four programs have been established under the fund, including two direct loan programs--direct real estate loans and direct chattel loans--and two interest buydown programs-- interest buydowns on real estate loans and interest buydowns on chattel loans.

ANALYSIS OF THE STATE BONDING FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$5,134,541	\$2,502,541
Add estimated revenues		
Investment income	\$550,000	\$600,000
State bonding fund claims collections	65,000	65,000
Other income	7,000	8,000
Total estimated revenues	622,000	673,000
Total available	\$5,756,541	\$3,175,541
Less estimated expenditures		
Insurance Department - Administration (2003 SB 2010; 2005 HB 1010)	\$35,000	\$35,000
Transfer to state general fund (2003 SB 2015)	2,800,000	0
State bonding claims losses	400,000	250,000
Claims-related payments	19,000	20,000
Total estimated expenditures	3,254,000	305,000
Estimated ending balance	\$2,502,541	\$2,870,541

FUND HISTORY

The state bonding fund was created in 1915 and is maintained for bond coverage of public employees. The state bonding fund is managed by the Insurance Commissioner and the amount of coverage provided to each state agency, department, industry, and institution is determined by the commissioner based upon the amount of money and property handled and the opportunity for default. North Dakota Century Code Section 26.1-21-09, as amended by the 2003 Legislative Assembly in Senate Bill No. 2015, provides that premiums for bond coverage are to be determined by the Insurance Commissioner but can be waived if the state bonding fund's balance is in excess of \$2 million. Senate Bill No. 2015 (2003) lowered the minimum fund balance from \$2.5 million to \$2 million. No premium has been charged possibly since 1953 because the bonding fund's balance has exceeded the minimum level established by the Legislative Assembly.

ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$0	\$0
Add estimated revenues		
Transfer from general fund		\$64,467,187
Investment income		2,689,026
Total estimated revenues	0	67,156,213
Total available	\$0	\$67,156,213
Less estimated expenditures		
None		
Total estimated expenditures	0	0
Estimated ending balance	\$0	\$67,156,213

NOTE: The budget stabilization fund was established by the 1987 Legislative Assembly in House Bill No. 1596. Major provisions include:

- Section 54-27.2-01 establishes the budget stabilization fund and provides that any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section also provides that any money in the fund in excess of 5 percent of the general fund appropriations provided by the most recently adjourned Legislative Assembly must be deposited in the state general fund.
- Section 54-27.2-02 provides that any amount in the state general fund at the end of a biennium in excess of \$65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides that the Governor may order a transfer from the budget stabilization fund to the general fund if the director of the Office of Management and Budget projects that general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.

ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	<u>2003-05 Biennium</u>	<u>2005-07 Biennium</u>
Beginning balance	\$209,173	\$529,193
Add estimated revenues		
Investment income	\$18,419	\$42,997
Rentals, royalties, bonuses, and contracts	<u>410,115</u>	<u>176,275</u>
Total estimated revenues	<u>428,534</u>	<u>219,272</u>
Total available	\$637,707	\$748,465
Less estimated expenditures		
Administrative expenses	\$27,392	\$29,061
Income payments to counties	6,122 ¹	6,495 ¹
Capitol Grounds Planning Commission operating expenses - 2003 SB 2015; 2005 HB 1015	25,000	25,000
Capitol Grounds Planning Commission - Continuing appropriation	<u>50,000</u>	<u>50,000</u>
Total estimated expenditures	<u>108,514</u>	<u>110,556</u>
Ending balance	<u>\$529,193</u>	<u>\$637,909</u>

NOTE: The analysis reflects the legislative appropriation for the 2005-07 biennium and does not include the land owned by the fund.

¹The 1999 Legislative Assembly passed Senate Bill No. 2088 (North Dakota Century Code Section 15-04-23) which provides that the Board of University and School Lands is to pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The total fees paid may not exceed 5 percent of the net revenue generated from the original grant lands in that county during the year preceding the payment. The board of county commissioners is to forward a prorated portion of any fees received to the organized townships in which the original grant lands are located. The funds are to be used for repair, maintenance, and construction of roads and bridges. Any remaining funds are to be used by the county for repair, maintenance, and construction of roads and bridges in unorganized townships in which the original grant lands are located.

**ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND INVESTMENT
AND INTEREST INCOME FOR THE 2003-05 AND 2005-07 BIENNIUMS**

	2003-05 Biennium	2005-07 Biennium
Beginning balance - Investment and interest income	\$10,007 ¹	\$11,930 ¹
Add estimated revenues		
Investment income	\$1,129,839	\$1,438,279
School construction loan income	1,389,805	1,500,000
Oil, gas, and coal impact loan income	286,319	206,472
Total estimated revenues	2,805,963	3,144,751
Total available	\$2,815,970	\$3,156,681
Less estimated expenditures and transfers		
Administrative expenses	\$19,033	\$20,192
Transfer to the general fund	2,785,007	3,100,000
Total estimated expenditures and transfers	2,804,040	3,120,192
Estimated ending balance - Investment and interest income	\$11,930 ²	\$36,489 ²

NOTE: North Dakota Century Code (NDCC) Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota provide that the income from the coal development trust fund must be used first to replace any uncollectible loans made from the fund and any remaining income must be deposited in the state general fund. The amounts shown on the preceding analysis include only the income in excess of any allowance for uncollectible loans made from the fund and do not include any revenues or expenses affecting the permanent fund balance.

¹Beginning balance - July 1, 2003, and 2005 - The beginning balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to NDCC Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of March 31, 2005, the total value of permanent fund assets was \$58.8 million, of which \$33.4 million was school construction loans receivable, \$2.3 million was coal, oil, and gas impact loans receivable, and \$23.1 million was either invested or was a receivable of investment or other earnings.

²Estimated ending balance - The estimated ending balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to NDCC Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of March 31, 2005, the total value of permanent fund assets was \$58.8 million, of which \$33.4 million was school construction loans receivable, \$2.3 million was coal, oil, and gas impact loans receivable, and \$23.1 million was either invested or was a receivable of investment or other earnings.

FUND HISTORY

The coal development trust fund originated in 1979 with passage of House Bill No. 1257, now codified as various sections of NDCC Chapter 57-62. In 1980 the voters of North Dakota approved constitutional measure No. 5, creating Article X, Section 21, of the Constitution of North Dakota and establishing the coal development trust fund as a constitutional trust fund.

North Dakota Century Code Section 57-62-02 provides that 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides that the Board of University and School Lands shall administer the fund and use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits to \$40 million the outstanding principal balance of school construction loans from the coal development trust fund.

North Dakota Century Code Section 57-61-01.5 provides that 70 percent of the money deposited in the coal development trust fund must be transferred to the lignite research fund. Consequently, 30 percent of the coal severance taxes deposited in the fund (9 percent of total coal severance taxes collected) remain in the coal development trust fund to be used for the purposes provided in Section 57-62-02.

ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$5,753,089	\$4,334,394
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	\$4,631,002 ¹	
Remaining transfers from the tobacco settlement trust fund		\$4,594,414
Total estimated revenues	4,631,002 ²	4,594,414 ²
Total available	\$10,384,091	\$8,928,808
Less estimated expenditures		
State Department of Health		
Tobacco prevention and control	\$4,700,000 ³	\$4,700,000 ³
Dentists' loan program	300,000 ⁴	420,000 ⁴
Community health grants	180,000 ⁵	495,000 ⁵
Tobacco "quit line"	550,000 ⁶	884,000 ⁶
Tobacco cessation coordinator and operating expenses		111,000 ⁷
Department of Human Services		
Breast and cervical cancer assistance	319,697 ⁸	254,356 ⁸
Total estimated expenditures	6,049,697	6,864,356
Estimated ending balance	\$4,334,394	\$2,064,452

¹As of March 1, 2005, six transfers have been made from the tobacco settlement trust fund totaling \$4,631,002. Total transfers of \$15,284,716 have been made to date from the tobacco settlement trust fund to the community health trust fund.

²Revenues - Interest earned on the community health trust fund is deposited in the general fund. The tobacco settlement revenues for the community health trust fund were estimated to be \$5,127,121 for the 2003-05 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$496,119 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the community health trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$5,759,377	\$5,290,078
2001-03	6,114,358	5,363,636
2003-05	5,127,121	4,631,002
2005-07	5,127,121	4,594,414
2007-17 (\$8,223,108/\$7,368,727 per biennium)	41,115,540	36,843,633
2017-25 (\$5,859,149/\$5,250,383 per biennium)	23,436,596	21,001,532
Total	\$86,680,113	\$77,724,295

³House Bill No. 1475 (1999) (North Dakota Century Code (NDCC) Section 54-27-25) provides that money in the community health trust fund may be used by the State Department of Health, subject to legislative appropriation, for community-based public health programs and other public health programs, including programs with emphasis on preventing or reducing tobacco usage. The 2005 Legislative Assembly provided an appropriation of \$4.7 million, the same as the 2003-05 biennium, to the State Department of Health for tobacco prevention and control programs.

⁴Senate Bill No. 2276 (2001) provided for the creation of a dentists' loan repayment program to be maintained by the State Health Council. Each year the State Health Council is to select up to three dentists who agree to provide dental services in the state. The dentists are eligible to receive funds, not to exceed a total of \$80,000 per applicant, for the repayment of their educational loans. The funds are payable over a four-year period (\$20,000 per year). Senate Bill No. 2276 (2001) provided for one dentist to be selected annually for the program from each of the following community-size categories: small (less than 2,500 residents), medium (less than 10,000 residents), and large (10,000 or more residents). The 2003 Legislative Assembly, as provided in Senate Bill No. 2378, changed the dental loan repayment program effective for the 2003-05 biennium, providing that the highest priority for acceptance into the program be given to dentists willing to serve the smallest and most underserved communities in North Dakota.

Biennium (Number of Dentists Accepted Into Program)	Communities Served
2001-03 biennium (3)	Minot (2) Larimore
2003-05 biennium (6)	Fargo Community Health Center New Rockford Grand Forks Fargo Bismarck West Fargo

⁵The community health grant program was established in 2001 Senate Bill No. 2380 (NDCC Section 23-38-01) with the intent to prevent or reduce tobacco usage. The Legislative Assembly, as provided in 2003 Senate Bill No. 2297, appropriated \$600,000 for funding the Community Health Grant Advisory Committee (\$100,000) and for providing for city, county, and state employee tobacco education and cessation programs (\$500,000). In addition, the Legislative Assembly authorized the total unexpended 2001-03 appropriated funds of \$204,052 for city and county tobacco cessation and education programs to be carried forward to the 2003-05 biennium. The State Department of Health, however, anticipates expenditures for cessation programs will be only \$80,000 during the 2003-05 biennium. The grants to cities and counties for cessation programs are to be matched with \$1 of local funds for every \$3 of state funds. The 2005 Legislative Assembly authorized \$495,000 for tobacco cessation grants (\$395,000) and for the Community Health Grant Advisory Committee (\$100,000).

⁶The 2003 Legislative Assembly appropriated \$680,000 for establishing a telephone tobacco "quit line." However, due to the start date of the program, it is anticipated only approximately \$550,000 will be spent during the 2003-05 biennium. The executive recommendation includes \$884,000 to operate the "quit line" for the entire 2005-07 biennium.

⁷The Legislative Assembly authorized one FTE tobacco prevention coordinator position and related funding for salaries and wages (\$95,666) and operations (\$15,334).

⁸The 2003 Legislative Assembly appropriated \$114,755 from the community health trust fund to the Department of Human Services for breast and cervical cancer treatment services. Because of greater than anticipated demand for the services, the department anticipates using additional special funds spending authority from within its 2003-05 biennium budget and spending a total of \$319,697 from the community health trust fund for the program. For the 2005-07 biennium, the Legislative Assembly appropriated \$254,356, an increase of \$139,601 from the 2003-05 biennium appropriation, to the Department of Human Services for providing medical assistance coverage for women screened and found to have breast and cervical cancer.

FUND HISTORY

The community health trust fund was created by the 1999 Legislative Assembly through passage of House Bill No. 1475. This bill creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred as follows, within 30 days of its deposit in the fund:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

**ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND
FOR THE 2003-05 AND 2005-07 BIENNIUMS**

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$856,321	\$871,868
Add estimated revenues	3,100,000 ¹	2,850,000 ¹
Total available	\$3,956,321	\$3,721,868
Less estimated expenditures		
Agriculture Commissioner		
Noxious weed control (2003 SB 2009; 2005 HB 1009)	\$1,494,285	\$1,473,831
Pesticide disposal project (Safe Send) (2003 SB 2009; 2005 HB 1009)	307,436	580,371
Pesticide programs (2003 SB 2009; 2005 HB 1009)	387,732	425,875
Agriculture in the classroom program (2003 SB 2009; 2005 HB 1009)	50,000	100,000
Saltcedar control (2003 SB 2319; 2005 HB 1009)	250,000	250,000
Pesticide Control Board		
Minor use pesticide registration (2003 SB 2009; 2005 HB 1009)	200,000 ²	200,000 ²
Crop Protection Product Harmonization and Registration Board		
Crop protection product registration and labeling and grants (2003 SB 2009; 2005 HB 1009)	25,000 ³	25,000 ³
State Department of Health		
Ground water testing (2003 HB 1004; 2005 SB 2004)	200,000	202,808
North Dakota Stockmen's Association environmental services program (2003 HB 1004; 2005 SB 2004)	50,000	50,000
Agricultural Experiment Station		
Chemical storage expenditures (2003 HB 1021)	120,000	
Environmental research (2005 SB 2020)		150,000
Total estimated expenditures	3,084,453	3,457,885
Estimated ending balance	\$871,868	\$263,983

¹The 1999 Legislative Assembly approved Senate Bill No. 2009 which included a provision increasing the biennial pesticide registration fee by \$50, from \$300 to \$350 only for the 1999-2001 biennium. The \$350 pesticide registration fee was extended for the 2001-03 biennium (2001 House Bill No. 1009), the 2003-05 biennium (2003 Senate Bill No. 2319), and the 2005-07 biennium (2005 House Bill No. 1009).

²This amount is transferred to the minor use pesticide fund and appropriated to the Crop Protection Product Harmonization and Registration Board on a continuing basis. House Bill No. 1328 (2001) changed the control of the minor use pesticide fund from the Agriculture Commissioner to the Crop Protection Product Harmonization and Registration Board.

³North Dakota Century Code Section 4-35-30 as created by 2001 House Bill Nos. 1328 and 1009 created the Crop Protection Product Harmonization and Registration Board. The duties of the board consist of:

- Identify and prioritize crop protection product labeling needs.
- Explore the extent of authority given to North Dakota under the federal Insecticide, Fungicide, and Rodenticide Act.
- Identify the data necessary to enable registration of a use to occur in a timely manner.
- Determine what research, if any, is necessary to fulfill data requirements for responsibilities of the board.
- Request the Agriculture Commissioner to pursue specific research funding options from public and private sources.
- Request the North Dakota State University Agriculture Experiment Station to pursue specific research to coordinate registration efforts.
- Pursue any opportunities to make more crop protection product options available to agriculture producers in this state through any means the board determines advisable.
- The board may administer a grant program through which agriculture commodity groups may apply for funds to be used to address issues related to the registration of crop protection products.

The members of the Crop Protection Product Harmonization and Registration Board consist of:

- The Governor or the Governor's designee (chairman).
- The Agriculture Commissioner or the commissioner's designee.
- The chairman of the House Agriculture Committee or the chairman's designee.
- The chairman of the Senate Agriculture Committee or the chairman's designee.
- A member of the House or Senate Agriculture Committee who is not a member of the faction in which the committee chairman is a member, appointed by the Legislative Council chairman.
- A crop protection product dealer in the state appointed by the Governor from a list of three nominees submitted by the North Dakota Agricultural Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Grain Growers Association.
- A consumer of crop protection products appointed by the Governor from a list of three nominees submitted by the North Dakota Oilseed Council.
- A representative of the crop protection product manufacturing industry appointed by the chairman of the Legislative Council (nonvoting).
- The director of the Agricultural Experiment Station (nonvoting).

North Dakota Century Code Section 19-18-02.1 created by 1991 Senate Bill No. 2451 established the environment and rangeland protection fund. The fund contains collections from pesticide registration fees. The biennial fee is \$350 per pesticide product registered in the state. Of this amount, \$300 is deposited in the environment and rangeland protection fund and \$50 in the general fund. The 2005 Legislative Assembly extended the \$350 pesticide registration fee through June 30, 2007, after which the fee reverts to \$300 for a two-year period, of which \$250 is deposited in the environment and rangeland protection fund and \$50 in the general fund.

ANALYSIS OF THE FIRE AND TORNADO FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	<u>2003-05 Biennium</u>	<u>2005-07 Biennium</u>
Beginning balance	\$16,263,796	\$21,674,220
Add estimated revenues		
Premium collections	\$9,250,000	\$9,300,000
Investment income	2,400,000	2,600,000
Boiler inspection fees	350,000	375,000
Loss claims and insurance recoveries	750,000	1,000,000
Anhydrous ammonia storage facility inspection fund (2003 SB 2010; 2005 HB 1010)	175,000	150,000
Total estimated revenues	<u>12,925,000</u>	<u>13,425,000</u>
Total available	\$29,188,796	\$35,099,220
Less estimated expenditures		
Loss claims payments	\$3,000,000	\$4,500,000
Insurance Department administration (2003 SB 2010; 2005 HB 1010) and anhydrous ammonia tank inspection costs	988,576	1,138,576
State Fire Marshal program (2003 SB 2003; 2005 HB 1003)	200,000 ¹	310,000
Firefighter's Association grants (2003 SB 2015; 2005 HB 1015)	126,000	126,000
Claims-related payments	<u>3,200,000</u>	<u>3,500,000</u>
Total estimated expenditures	<u>7,514,576</u>	<u>9,574,576</u>
Estimated ending balance	<u>\$21,674,220</u>	<u>\$25,524,644</u>

¹The 2003 Legislative Assembly provided the Attorney General a special funds appropriation of \$300,000 from the state fire and tornado fund for defraying the expenses relating to the State Fire Marshal program for the 2003-05 biennium. The Attorney General is currently estimating to spend only \$200,000 of the \$300,000 special funds appropriation.

FUND HISTORY

The state fire and tornado fund originated in 1919. The fund is maintained to insure the various political subdivisions and state industries against loss to public buildings and permanent fixtures. North Dakota Century Code Section 26.1-22-14 requires that if the fire and tornado reserve balance is less than \$12 million, the Insurance Commissioner must increase assessments on policies.

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$8,991,303	\$15,872,228
Add estimated revenues		
Oil extraction tax allocations	\$6,880,925 ¹	\$8,217,778 ³
Total available	\$15,872,228	\$24,090,006
Less estimated expenditures		
Transfer to foundation aid program	\$0 ²	\$0 ²
Estimated ending balance	\$15,872,228	\$24,090,006

¹2003-05 estimated revenues - Based on actual oil extraction tax allocations through March 2005 and estimated allocations for the remainder of the 2003-05 biennium (per the March 2005 executive revenue forecast).

²Estimated expenditures - As provided in Article X, Section 24, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. No foundation aid reductions as a result of a revenue shortfall are currently anticipated for the 2003-05 or 2005-07 biennium.

³2005-07 estimated revenues - Based on the estimated allocations for the 2005-07 biennium reflecting the March 2005 executive revenue forecast.

FUND HISTORY

The foundation aid stabilization fund was created in 1994 when the voters of North Dakota approved a constitutional amendment, now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction tax revenue be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- **Fifty percent (of the 20 percent) to the foundation aid stabilization fund.**

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that the director of the budget may order an allotment to control the rate of expenditures of state agencies. This section provides that an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Article X, Section 24, of the Constitution of North Dakota, provides that the interest income of the foundation aid stabilization fund must be transferred to the state general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. For the 2003-05 biennium, through March 2005, \$1,476,394 of interest from the foundation aid stabilization fund has been allocated to the state general fund.

ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$33,153,183	\$19,696,150
Add estimated revenues		
2002 government nursing facility funding pool payment (July 2003)	\$13,646,405	
2003 government nursing facility funding pool payment (July 2004)	6,349,417	
Investment earnings	2,163,279	\$887,602
Loan repayments - Principal and interest	1,115,401	1,061,185
Total estimated revenues	23,274,502	1,948,787
Total available	\$56,427,685	\$21,644,937
Less estimated expenditures		
State Department of Health		
Quick response unit pilot project	\$225,000	\$125,000
Scholarship and nurses' student loan repayment grant program	489,500	
Department of Human Services inflationary increases and developmental disabilities services		3,200,000
Bank of North Dakota administrative fee on outstanding loans	106,000	98,000
Transfer to the general fund	35,911,035	16,900,000
Total estimated expenditures	36,731,535	20,323,000
Estimated ending balance	\$19,696,150	\$1,321,937

The health care trust fund was established by the 1999 Legislative Assembly (Senate Bill No. 2168) for providing nursing alternative loans or grants. The 2001 Legislative Assembly in House Bill No. 1196 provided that money in the fund may be transferred to the long-term care facility loan fund for nursing facility renovation projects and used for other programs as authorized by the Legislative Assembly. Money is generated for the health care trust fund as a result of the Department of Human Services making government nursing facility funding pool payments to two government nursing facilities--McVille and Dunseith. Payments are made based on the average amount Medicare rates exceed Medicaid rates for all nursing care facilities in the state multiplied by the total of all Medicaid resident days of all nursing homes. Federal Medicaid funds are available for these payments and require a state match. Payments are made to the two government nursing facilities and are subsequently returned to the state, less a \$50,000 transaction fee retained by each of the two government nursing facilities. Once returned to the state, the state's matching share is returned to its source, and the federal funds are deposited in the health care trust fund. Money in the fund is invested by the State Investment Board and any investment earnings are retained in the fund. The federal government has eliminated this intergovernmental transfer program. **As a result, North Dakota's final intergovernmental transfer payment was received in July 2004.**

ANALYSIS OF THE LANDS AND MINERALS TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$641,126	\$6,320,259
Add estimated revenues		
Production royalties	\$3,728,665	\$1,737,808
Mineral leases	382,310	100,000
Oil and gas bonuses	4,581,611	143,868
Investment earnings	152,273	500,876
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	1,872,074	1,361,660
	10,716,933	3,844,212
Total estimated revenues	\$11,358,059	\$10,164,471
Total available		
Less estimated expenditures and transfers		
Payments to common schools trust fund - DD loan fund Nos. 2 and 3 (2003 SB 2012; 2005 SB 2013 - Continuing appropriation)	\$2,791,500 ¹	\$1,789,322 ²
Industrial Commission - Oil and Gas Division contingency (2005 SB 2014)	0	225,000 ³
Transfer to the general fund (2003 SB 2015; 2005 HB 1015)	2,000,000	6,800,000
Administrative costs/other fees	246,300	261,300
	5,037,800	9,075,622
Total estimated expenditures and transfers	\$6,320,259	\$1,088,849
Estimated ending balance	\$6,320,259	\$1,088,849

¹The 2003-05 biennium appropriation in 2003 Senate Bill No. 2012 totals \$3,261,556.

²In previous bienniums, this amount was appropriated in the Department of Human Services appropriations bill. Section 8 of 2005 Senate Bill No. 2013 creates a new section to North Dakota Century Code Chapter 15-08.1 providing a continuing appropriation from the lands and minerals trust fund for making these loan payments under DD loan fund Nos. 2 and 3.

³Subdivision 1 of Section 3 of 2005 Senate Bill No. 2014 contains an Oil and Gas Division contingency appropriation of \$225,000, and Section 18 provides that the funds appropriated in this contingency line item are from the land and minerals trust fund. Section 18 also provides that the Oil and Gas Division may use the funds, upon Emergency Commission approval, to hire up to 2 full-time equivalent positions if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period.

FUND HISTORY

The lands and minerals trust fund originated in 1977 when the Legislative Assembly transferred to the Board of University and School Lands possessory interest in properties obtained by the Bank of North Dakota, including tracts of real property and reserved mineral interests. All income from the sale, lease, and management of the mineral interests relating to these properties is deposited in the lands and minerals trust fund pursuant to North Dakota Century Code Section 15-08.1-08.

The principal and interest of the trust fund may be used only for purposes approved by the Legislative Assembly.

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$11,767,657	\$9,544,128
Add estimated revenues		
Separate two-cent coal severance tax	\$1,211,437	\$1,200,000
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,407,225	3,375,000
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,324,279	1,350,000
Investment income on Dakota Gasification Company ammonia plant project	44,100	
Interest income	138,321	180,000
Total estimated revenues	6,125,362	6,105,000
Total available	\$17,893,019	\$15,649,128
Less estimated expenditures		
Lignite marketing feasibility study (2003 HB 1015; 2005 SB 2014)	\$1,300,000	\$1,500,000
Administration and development of the lignite research, development, and marketing program (includes funding for clean coal demonstration projects and bond payments) (2003 HB 1015; 2005 SB 2014)	7,048,891 ^{1,2}	13,700,000 ^{1,2}
Total estimated expenditures	8,348,891	15,200,000 ³
Ending balance	\$9,544,128	\$449,128

NOTE: North Dakota Century Code Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

¹The Industrial Commission has a policy stating that 30 percent of lignite research fund income will be used for small research projects and 70 percent for large demonstration research projects. The Commission has further directed that no single large demonstration project can receive more than 37.5 percent of available funds.

²The Industrial Commission has waived the fund allocation policy and has committed \$10,146,524 through the 2009-11 biennium with \$2,861,524 anticipated to be spent during the 2003-05 biennium, \$2,860,000 anticipated to be spent during the 2005-07 biennium, and the remaining \$4,425,000 during 2007-09 and 2009-11 bienniums for the Lignite Vision 21 program. The object of the Lignite Vision 21 program is to construct new lignite-fired power plants in North Dakota.

³The 2005 Legislative Assembly appropriated \$15,200,000 for lignite research grants; however, at the present time the Industrial Commission anticipates spending \$11,305,000 for lignite research grants during the 2005-07 biennium.

ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$12,800,761 ¹	\$45,208,228
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	\$44,317,467	\$38,016,354
Total estimated revenues	44,317,467 ²	38,016,354 ⁴
Total available	\$57,118,228	\$83,224,582
Less estimated expenditures		
Transfer to the general fund (Section 6 of 2003 SB 2015; Section 32 of 2005 HB 1015)	\$11,910,000	\$55,300,000
Parks and Recreation Department - International Music Camp grant for International Arts Center (2005 SB 2228)		350,000 ⁵
Office of Management and Budget - Repayment of loans for centers of excellence (Section 12 of 2005 SB 2018)		16,000,000 ⁶
Department of Human Services - Medicaid management information system (MMIS) project (Section 8 of 2005 HB 1012)		3,667,820 ⁷
Total estimated expenditures	11,910,000 ³	75,317,820 ³
Estimated ending balance	\$45,208,228	\$7,906,762

NOTE: North Dakota Century Code (NDCC) Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that biennium and derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year. The principal may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly. Senate Bill No. 2018, as approved by the 2005 Legislative Assembly, includes provisions allowing the transfer of funds from the general fund to the permanent oil tax trust fund during the biennium after the \$71 million general fund limit is reached rather than making the transfer only at the end of the biennium.

¹Beginning balance - July 1, 2003 - The general fund revenues derived from oil and gas gross production taxes and oil extraction taxes totaled \$69,565,225 for the 2001-03 biennium. Since revenues exceeded the \$62 million statutory limit (which was increased to \$71 million by Section 26 of 2003 Senate Bill No. 2015), \$7,565,225 was transferred into the permanent oil tax trust fund on June 30, 2003. Any interest earned is deposited in the general fund.

²Estimated revenues - 2003-05 - The revised revenue forecast for the 2003-05 biennium projects oil and gas gross production tax and oil extraction tax revenues to total \$115,317,467, \$71 million to be deposited in the general fund and \$44,317,467 to be deposited in the permanent oil tax trust fund at the end of the biennium.

³Estimated expenditures - Pursuant to NDCC Section 57-51.1-07.2, the principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

⁴Estimated revenues - 2005-07 - The revenue forecast for the 2005-07 biennium projects oil and gas gross production tax and oil extraction tax revenues to total \$109,016,354, \$71 million to be deposited in the general fund and \$38,016,354 to be deposited in the permanent oil tax trust fund.

⁵Appropriation - Parks and Recreation Department - 2005 Senate Bill No. 2228 provides an appropriation of \$350,000 from the permanent oil tax trust fund to the Parks and Recreation Department for the department to provide a one-time grant to the International Music Camp to assist with the construction costs of the International Arts Center to be located at the International Music Camp at the International Peace Garden.

⁶Appropriation - Office of Management and Budget - Section 12 of 2005 Senate Bill No. 2018 provides an appropriation of \$16 million from the permanent oil tax trust fund to the Office of Management and Budget for repaying the Bank of North Dakota loans and accrued interest relating to funds borrowed for centers of excellence for the 2005-07 biennium. This appropriation is limited to 50 percent or \$16 million, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6 million for the 2005-07 biennium.

⁷Appropriation - Department of Human Services - Section 8 of 2005 House Bill No. 1012 provides that \$3,667,820 included in the estimated income appropriation for the Department of Human Services is from the permanent oil tax trust fund. This is for the state's share of the costs for the Medicaid management information system (MMIS) project. The total cost of the project is split between federal funds (approximately 90 percent) and state funds (approximately 10 percent).

ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$20,129,911	\$36,127,380
Add estimated revenues		
Oil extraction tax collections	\$14,093,821	\$16,435,556
Repayments and reimbursements	1,805,000	2,005,000
Investment earnings/miscellaneous	98,648	838,977
Reimbursement from bond proceeds	31,150,000 ¹	
Total estimated revenues	47,147,469	19,279,533
Total available	\$67,277,380	\$55,406,913
Less estimated expenditures		
State Water Commission		
Grants and administration	\$31,150,000 ²	\$55,406,913 ³
Total estimated expenditures	31,150,000	55,406,913
Ending balance	\$36,127,380	\$0

NOTE: The resources trust fund was created pursuant to passage of measure No. 6 in the November 1980 general election. Measure No. 6 created a 6.5 percent oil extraction tax, 10 percent of which was to be allocated to the resources trust fund. In June 1990 the Constitution of North Dakota was amended to establish the resources trust fund as a constitutional trust fund and provide that the principal and income of the fund could be spent only upon legislative appropriations for:

- Constructing water-related projects, including rural water systems.
- Energy conservation programs.

In November 1994 the voters of North Dakota approved a constitutional amendment, which is now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction taxes be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- Fifty percent (of the 20 percent) to the foundation aid stabilization fund.

North Dakota Century Code Section 57-51.1-07 provides that oil extraction tax revenues be distributed as follows:

- Twenty percent to the resources trust fund.
- Twenty percent allocated as provided in Article X, Section 24, of the Constitution of North Dakota.
- Sixty percent to the state general fund.

¹The State Water Commission plans to reimburse the 2003-05 biennium expenditures incurred from the resources trust fund with bond proceeds prior to the end of the 2003-05 biennium. Actual expenditures of \$31.15 million have been incurred from the resources trust fund as of April 1, 2005.

²The 2003 Legislative Assembly appropriated \$13,650,000 from the resources trust fund to the State Water Commission for water development projects. Section 10 of Senate Bill No. 2022 provides that if 2003-05 biennium revenues are in excess of \$13,650,000 any excess is appropriated to the State Water Commission, subject to Emergency Commission approval. In January 2004 the Emergency Commission and Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual beginning balances of each of the funds. Actual expenditures during the 2001-03

biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund. In addition, the Emergency Commission and the Budget Section approved an additional \$3 million of spending authority from the resources trust fund for water projects based on 2003-05 biennium estimated revenues. The adjusted spending authority for water projects is approximately \$13 million (excluding estimated bond payments) from the water development trust fund and \$31,150,000 from the resources trust fund.

³Section 4 of House Bill No. 1021 (2005) provides \$54,013,116, or any additional amount that becomes available, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission.

ANALYSIS OF THE RISK MANAGEMENT FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$2,229,328	\$2,938,692
Add estimated revenues		
Premiums	\$4,434,364 ¹	\$3,731,624 ²
Total estimated revenues	4,434,364	3,731,624
Total available	\$6,663,692	\$6,670,316
Less estimated expenditures		
Administration - 2003 SB 2015, 2005 HB 1015	\$700,023	\$746,211
Claims-related expenses - Continuing appropriation	132,494	148,095
Claims and litigation	2,892,483	3,233,070
Total estimated expenditures	3,725,000	4,127,376
Ending balance	\$2,938,692	\$2,542,940

¹In response to an actuarial review completed in 2002 by Aon Risk Services, the Risk Management Division is assessing a total of \$5,397,553 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2003-05 biennium. Due to agencies qualifying for the discount program, total premiums collected are estimated to be \$4,434,354, or a total reduction of \$963,189 for the 2003-05 biennium.

²In response to an actuarial review completed in 2004 by Aon Risk Services, the Risk Management Division is assessing a total of \$3,731,624 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2005-07 biennium.

FUND HISTORY

In September 1994 the North Dakota Supreme Court abolished the doctrine of sovereign immunity. As a result of this court decision, the 1995 Legislative Assembly passed the Tort Claims Act (1995 Senate Bill No. 2080) which created a risk management fund and assigned the responsibility of administering a risk management program to the Office of Management and Budget.

ANALYSIS OF THE SENIOR CITIZEN SERVICES AND PROGRAMS FUND FOR THE 2005-07 BIENNIUM

	<u>2005-07 Biennium</u>	
Beginning balance		\$0
Add estimated revenues		
Allocation from sales, use, and motor vehicle excise tax collections	<u>\$2,012,000</u>	
Total estimated revenues		<u>2,012,000</u>
Total available		\$2,012,000
Less estimated expenditures		
State Treasurer - County senior citizen matching grants	<u>\$2,012,000</u>	
Total expenditures		<u>2,012,000</u>
Estimated ending balance		<u><u>\$0</u></u>

The 2005 Legislative Assembly approved Senate Bill No. 2267 which created the senior citizen services and programs fund. Statutory provisions are contained in subsection 5 of North Dakota Century Code Section 57-15-56 and Section 57-39.2-26.2. Each year, the State Treasurer is to transfer to the fund the portion of sales, use, and motor vehicle excise tax collections that are equivalent to the amount generated from two-thirds of one mill levied state-wide as reported by the Tax Commissioner. The State Treasurer, pursuant to a continuing appropriation, distributes money in the fund as grants to eligible counties for senior citizen programs. The grants are provided to counties that have approved a mill levy for senior citizen services and programs. The amount of each county's annual grant is equal to two-thirds of the amount levied in dollars in the county for senior citizen programs, limited to one mill. The Legislative Assembly provided intent that counties match 50 percent of the state grant with funding from the county general fund or state aid distribution fund receipts. Any money remaining in the fund at the end of each biennium is transferred to the general fund, except that for the 2005-07 biennium, any remaining money in the fund at the end of the biennium is allocated to those counties that are levying the statutory maximum for senior citizen programs in proportion to the amounts generated by those levies in those counties.

ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$0	\$0
Add estimated receipts		
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)	74,180,584	78,336,470
Total available	\$74,180,584	\$78,336,470
Less estimated expenditures		
Payments to political subdivisions		
County share (53.7%)	\$39,834,974	\$42,066,684
City share (46.3%)	34,345,610	36,269,786
Total estimated expenditures	74,180,584	78,336,470
Ending balance	\$0	\$0

NOTE: Amounts shown above reflect the 2003-05 revenue forecast and the 2005-07 revenue forecast as approved by the 2005 Legislative Assembly (March 2005).

North Dakota Century Code (NDCC) Section 57-39.2-26.1 provided, prior to January 1, 1999, for a portion of sales, use, and motor vehicle excise tax collections equal to 60 percent of an equivalent one-cent sales tax to be deposited by the State Treasurer in the state aid distribution fund. The Tax Commissioner certified to the State Treasurer the portion of sales, use, and motor vehicle excise tax net revenues that were deposited in the state aid distribution fund. The state aid distribution fund had historically been allocated, subject to legislative appropriation, with 50 percent of revenues for state revenue sharing and 50 percent for personal property tax replacement.

The 1997 Legislative Assembly amended NDCC Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of an equivalent one-cent sales tax instead of an amount equal to 60 percent of an equivalent one-cent sales tax. In addition, a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions.

The 1997 Legislative Assembly also changed the allocation of the state aid distribution fund from 50 percent for personal property tax replacement and 50 percent for revenue sharing to 53.7 percent for counties and 46.3 percent for cities. The allocation for each county includes townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison Diversion Conservancy District, the Southwest Water Authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within the cities. The allocation for each city includes park districts and other taxing districts within the city, excluding school districts. The county allocation to townships must be based on the same percentage allocation that a township received in calendar year 1996.

House Bill No. 1025 (2003), which became effective on August 1, 2003, revised the state aid distribution formula for cities and counties to account for population changes resulting from the 2000 federal census. The bill provides for total distribution percentages to cities and counties to remain at 53.7 percent to counties and 46.3 percent to cities; however, the allocation formula to specific counties and cities is:

Population Category			
Counties	Percentage	Cities (Based on Population)	Percentage
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
Total	100.00%	Total	100.0%

ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium ¹	2005-07 Biennium ¹
Beginning balance	\$54,248,000	\$27,789,031
Add estimated revenues		
Fund earnings	\$3,900,000	\$4,100,000 ³
Total available	\$58,148,000	\$31,889,031
Less estimated expenditures		
Transfers to the general fund	\$26,258,969 ²	\$9,000,000 ⁴
Funding for veterinary medicine program		262,500 ⁵
Funding for North Dakota Student Loan Guarantee Agency	4,100,000	
Total estimated expenditures	30,358,969	9,262,500
Estimated ending balance	\$27,789,031	\$22,626,531

¹This analysis reflects estimated revenues, expenditures, and ending balance for the **1979 bond resolution only**.

²The 2003 Legislative Assembly provided for the following transfers totaling \$26,258,969 from the student loan trust fund to the general fund:

- Section 12 of Senate Bill No. 2015 - \$11,000,000.
- Section 19 of House Bill No. 1003 - \$14,258,969.
- Section 6 of House Bill No. 1019 - \$1,000,000.

³The projected income is based on interest rates as of May 1, 2005, the trust's ability to continue to receive a return of 95 percent from the federal government on student loans held by the trust and the assumption that the \$9 million transfer to the general fund for the 2005-07 biennium is made in the last six months of the biennium.

⁴The 2005 Legislative Assembly provided for a transfer of \$9 million from the student loan trust fund to the general fund.

⁵House Bill No. 1397 (2005) provides the State Board of Higher Education a \$262,500 special funds appropriation from the student loan trust fund for the purpose of reducing the amount of tuition and other costs payable by or on behalf of eligible students enrolled in the veterinary medical education program at Kansas State University. The State Board of Higher Education is to develop a plan for the continuation of funding for the program from a funding source other than the student loan trust fund.

FUND HISTORY

The 1971 Legislative Assembly authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created, which enabled the state to sell tax-exempt and taxable bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund is not in the business of making loans to students or servicing loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution referred to as the 1996 bond resolution includes funds from bonds issued in 1996, 1997, 1998, and 2000. All issuances prior to 2004 with bonds outstanding are insured by Ambac Assurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

In addition, North Dakota Century Code Section 6-09-40 provides that the Bank of North Dakota shall request from the Industrial Commission a transfer from the student loan trust fund to reimburse the Bank for any losses incurred from investments in North Dakota alternative and venture capital investments and early-stage capital funds. Section 10-03.5-04(3) provides that the maximum amount of funds that may be borrowed from the Bank of North Dakota for the purpose of investing in North Dakota alternative and venture capital investments and early-stage capital funds is \$10 million. Senate Bill No. 2032 (2005) increased the maximum amount of funds that may be borrowed for alternative and venture capital investments and early-stage capital funds by \$5 million, from \$5 million to \$10 million.

After all bonds in a general bond resolution have matured, been redeemed or defeased, and all expenses paid, any remaining assets held under the general bond resolution would be transferred to the Industrial Commission for use at its discretion. In order to use assets held under the general bond resolution for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive permission from the bond insurer, and the trustee of the bond (Bank of North Dakota) would have to certify that sufficient reserves remain for bond payments and other related program costs.

The 2003 Legislative Assembly with the passage of Senate Bill No. 2232 authorized the Industrial Commission to issue subordinate or residual bonds of up to \$23 million, and as a result the Industrial Commission issued \$23 million of subordinate bonds on December 1, 2004. House Bill No. 1152 (2005) enables the Industrial Commission to issue subordinate or residual bonds when so determined by the Industrial Commission.

ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$0	\$0
Add revenues		
Tobacco settlement revenues collected to date	\$46,310,010 ¹	
Projected tobacco settlement revenues		\$45,944,134
Total revenues	46,310,010 ²	45,944,134 ²
Total available	\$46,310,010 ³	\$45,944,134
Less expenditures and transfers		
Transfers to the community health trust fund (10%)	\$4,631,002	\$4,594,414
Transfers to the common schools trust fund (45%)	20,839,504	20,674,860
Transfers to the water development trust fund (45%)	20,839,504	20,674,860
Total expenditures and transfers	46,310,010	45,944,134
Estimated ending balance	\$0	\$0

¹Six 2003-05 biennium tobacco settlement payments totaling \$46,310,010 have been received by the state as of May 1, 2005. Total tobacco settlement collections of \$152,847,157 have been received to date by North Dakota.

²Revenues - 1999 House Bill No. 1475 (North Dakota Century Code Section 54-27-25) provides that interest on the money in the tobacco settlement trust fund must be retained in the fund, and the principal and interest must be allocated 10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The interest earned on the money in the tobacco settlement trust fund will increase the amount available for transfers to the other funds. However, because of uncertainty regarding the timing of the receipt of the tobacco settlement proceeds, interest earned on the balance of the tobacco settlement trust fund has not been included in this analysis. Tobacco settlement revenues collected to date have been transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

³The tobacco settlement proceeds for the 2003-05 biennium were estimated to be \$51,271,214 at the end of the 1999 legislative session. The decrease in the amount of tobacco settlement revenues collected for the biennium of \$4,961,204 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The total original estimated tobacco settlement collections made during the 1999 legislative session and the total estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	46,310,010
2005-07	51,271,214	45,944,134
2007-17 (\$82,231,080/\$73,687,266 per biennium)	411,155,400	368,436,330
2017-25 (\$58,591,490/\$52,503,832 per biennium)	234,365,960	210,015,328
Total	\$866,801,136	\$777,242,949

FUND HISTORY

North Dakota Century Code Section 54-27-25 created by 1999 House Bill No. 1475 established a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund, including interest, must be transferred as follows, within 30 days of its deposit in the fund:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

ANALYSIS OF THE STATE TUITION FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$1,165,188 ¹	\$697,461 ¹
Add estimated revenues		
Fines for violation of state laws	\$8,824,397 ²	\$8,800,000 ²
Transfers from the common schools trust fund	60,000,000	62,200,000
Total estimated revenues	68,824,397	71,000,000
Total available	\$69,989,585	\$71,697,461
Less estimated expenditures		
Tuition payments to schools	69,292,124 ³	71,600,000 ³
Estimated ending balance	\$697,461 ¹	\$97,461 ¹

¹Beginning/ending balance - North Dakota Century Code (NDCC) Section 15.1-28-03, as amended by the 2005 Legislative Assembly in House Bill No. 1154, provides for the distribution of money in the state tuition fund in August, September, October, November, December, January, February, March, and April of each fiscal year. Fines proceeds deposited in the tuition fund during May and June of each fiscal year are carried forward for distribution in August of the subsequent year.

²Fines for violation of state laws - The amount of state tuition fund distributions from fines proceeds is shown below:

Fiscal Year	Revenue From Fines	Percentage Increase From Previous Year
1998	\$3,384,890 (actual)	
1999	\$3,818,890 (actual)	12.8%
2000	\$4,866,644 (actual)	27.4%
2001	\$4,241,256 (actual)	(12.9%)
2002	\$4,778,756 (actual)	12.7%
2003	\$4,607,423 (actual)	(3.6%)
2004	\$4,721,407 (actual)	2.5%
2005	\$4,102,990 (estimate)	(13.1%)
2006	\$4,400,000 (estimate)	7.2%
2007	\$4,400,000 (estimate)	0.0%

³Tuition payments - Pursuant to NDCC Section 15.1-28-03, payments are made on the basis of census units, which is the number of school-age children in each district as determined by the last census. The 2003 Legislative Assembly provided a special funds appropriation of \$69,495,371 for tuition payments for the 2003-05 biennium. The Department of Public Instruction is currently estimating to expend only \$69,292,124 of the \$69,495,371 special funds appropriation. Actual and estimated census unit payments are shown below for fiscal years 1998 through 2007:

Fiscal Year	Tuition Fund Payments Per Census Unit	Percentage Increase From Previous Year
1998	\$216 (actual)	
1999	\$223 (actual)	3.2%
2000	\$248 (actual)	11.2%
2001	\$244 (actual)	(1.6%)
2002	\$310 (actual)	27.0%
2003	\$310 (actual)	0.0%
2004	\$332 (actual)	7.1%
2005	\$332 (estimate)	0.0%
2006	\$351 (estimate)	5.7%
2007	\$351 (estimate)	0.0%

FUND HISTORY

The state tuition fund originated in 1889 with enactment of the Constitution of North Dakota. The original constitutional provisions have not changed significantly since enactment and are currently contained in Article IX, Section 2, of the Constitution of North Dakota, which provides that payments to the common schools of the state include:

- Interest and income from the common schools trust fund.
- All fines for violation of state laws.
- All other amounts provided by law.

North Dakota Century Code Section 15.1-28-01 provides that the state tuition fund consists of the net proceeds from all fines for violation of state laws and leasing of school lands (included in transfers from the common schools trust fund) and the interest income from the state common schools trust fund. Section 15.1-28-03, as amended by the 2005 Legislative Assembly in House Bill No. 1154, directs the Office of Management and Budget, on or before the third Monday in January, February, March, April, August, September, October, November, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. The Superintendent of Public Instruction then apportions the money in the fund among the school districts in the state based on the number of school-age children in the district.

ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$4,575,651	\$4,565,146
Add estimated revenues		
Investment income	\$350,000	\$220,000 ¹
Sale of vans	3,500	3,500
Miscellaneous income - Refund	9,500	
Total estimated revenues	363,000	223,500
Total available	\$4,938,651	\$4,788,646
Less estimated expenditures		
Department of Veterans Affairs - Anticipated expenditures pursuant to continuing appropriation authority contained in Article X of the Constitution of North Dakota as approved by the voters in November 1996		
Grants	\$147,000	\$175,000
Salaries	65,950	0
Rent	6,080	0
Operating expenses	5,475	2,500
Veterans' transportation program	4,000	4,000
Vehicles - Vans	33,000	24,500
Veterans Home activities	27,000	0
Other veterans' programs	55,000	500
Administrative Committee on Veterans Affairs expenses	30,000	0
Total estimated expenditures	373,505	206,500
Estimated ending balance	\$4,565,146	\$4,582,146

NOTE: The principal balance of the fund is \$4,101,849, leaving an estimated available investment income balance of \$463,297 as of June 30, 2005, and \$480,297 as of June 30, 2007. The Administrative Committee on Veterans Affairs has a policy of reserving a portion of the investment income balance to generate additional investment income. By the end of the 2005-07 biennium, the committee anticipates reserving \$350,000 of the investment income balance for this purpose.

¹Revenues are anticipated to decrease during the 2005-07 biennium as compared to the 2003-05 biennium due to maturity of an investment made in 1992 which had a guaranteed rate of return of 7.5 percent.

FUND HISTORY Established

The fund was created by Section 6 of 1981 Senate Bill No. 2271:

SECTION 6. TRANSFER OF VIETNAM BONUS FUNDS TO VETERANS' POSTWAR TRUST FUND. All unobligated moneys in the Vietnam veterans' adjusted compensation funds in the state treasury after July 1, 1981, shall be transferred by the state treasurer to the veterans' postwar trust fund. Any obligations of such funds as a result of any amendment of section 37-25-10 by the forty-seventh legislative assembly shall be paid out of the veterans' postwar trust fund and the moneys necessary to meet those obligations are hereby appropriated.

1988 Initiated Measure No. 4

Initiated measure No. 4, approved by the voters in the November 1988 general election, provided the following:

1. Established the veterans' postwar trust fund as a permanent fund.
2. Required the State Treasurer to transfer \$740,000 per year for five years commencing July 1, 1989, from the state general fund or other sources as appropriated by the Legislative Assembly to the veterans' postwar trust fund to total \$3,700,000.
3. Appropriated the income from the veterans' postwar trust fund on a continuing basis to the Administrative Committee on Veterans Affairs to be spent for veterans' programs as authorized by law.
4. Required the State Treasurer to invest the fund in legal investments as provided by North Dakota Century Code Section 21-10-07.

The principal balance in the fund on December 8, 1988, was \$401,849.

Senate Bill No. 2009 (1989) transferred \$1,480,000, \$740,000 on July 1, 1989, and \$740,000 on July 1, 1990, from the state general fund to the veterans' postwar trust fund. The bill also appropriated up to \$274,000 of investment income earned on the veterans' postwar trust fund balance to the Veterans Home for its operating costs. Because of net budget reductions during the 1989-91 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1989-91 biennium was reduced by \$95,005, from \$740,000 to \$644,995.

Senate Bill No. 2001 (1991) transferred \$1,575,005 from the general fund to the veterans' postwar trust fund during the 1991-93 biennium. This amount restored the \$95,005 which was not transferred during the 1989-91 biennium because of net budget reductions. Because of budget allotments ordered by the Governor during the 1991-93 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1991-93 biennium was reduced by \$5,670, from \$740,000 to \$734,330.

House Bill No. 1001 (1993) transferred \$745,670 from the general fund to the veterans' postwar trust fund during the 1993-95 biennium. This was the final transfer required by the initiated measure and includes \$5,670 to restore the reduction made during 1991-93 because of budget reductions.

1996 Initiated Constitutional Measure No. 4

Initiated constitutional measure No. 4, approved by the voters in the November 1996 general election, created the following new section to Article X of the North Dakota Constitution:

The veterans' postwar trust fund shall be a permanent trust fund of the state of North Dakota and shall consist of moneys transferred or credited to the fund as authorized by legislative enactment. Investment of the fund shall be the responsibility of the state treasurer who shall have full authority to invest the fund only in the same manner as the state investment board is authorized to make investments. All income received from investments is to be utilized for programs which must be of benefit and service to veterans, who are defined by legislative enactment, or their dependents, and such income is hereby appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure upon those programs selected at the discretion of the administrative committee on veterans' affairs.

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2003-05 AND 2005-07 BIENNIUMS

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$9,409,511	\$9,347,056
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$20,839,504 ^{1,2}	
Remaining transfers from tobacco settlement trust fund		\$20,674,860
Reimbursement from bonding proceeds	9,646,000 ³	
Total estimated revenues	30,485,504	20,674,860
Total available	\$39,895,015	\$30,021,916
Less estimated expenditures		
Transfer to the general fund	\$10,070,373 ⁴	
State Water Commission		
Water projects	13,021,452 ⁵	\$6,553,431 ⁷
Bond payments	5,424,773 ^{5,6}	14,332,160 ⁷
Administrative expenses (HB 1021, 1050)		9,116,325 ⁷
Legislative Assembly for Legislators' Forum dues (HB 1015)		20,000
Repayment of 2001-03 loans used for the state's matching share of federal disaster relief funding		
University of North Dakota (HB 1003)	1,193,146	
North Dakota State University (HB 1003)	262,928	
Parks and Recreation Department (SB 2021)	575,287	
Total estimated expenditures	30,547,959	30,021,916
Estimated ending balance	\$9,347,056	\$0

¹As of May 2005 six transfers have been made from the tobacco settlement trust fund totaling \$20,839,504. Total transfers of \$68,781,220 have been made to date from the tobacco settlement trust fund to the water development trust fund.

²Revenues - Interest earned on the water development trust fund is deposited in the state general fund. The tobacco settlement revenues for the water development trust fund were estimated to be \$23,072,046 for the 2003-05 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$2,232,542 is the result of volume adjustments made to payments received. A volume adjustment is an adjustment made to a settlement payment to reflect increases or decreases in tobacco manufacturers' operating income from cigarette sales. The original estimate was calculated before the anticipated effect of volume adjustments on tobacco settlement collections was determined. The revenues for the water development trust fund originally estimated during the 1999 legislative session and the estimated collections as revised by the Office of Management and Budget to reflect anticipated volume adjustments are:

Biennium	1999 Original Estimated Collections	Office of Management and Budget Revised Estimated Collections
1999-2001	\$25,917,197	\$23,805,353
2001-03	27,514,610	24,136,363
2003-05	23,072,046	20,839,504
2005-07	23,072,046	20,674,860
2007-17 (\$37,003,986/\$33,159,270 per biennium)	185,019,930	165,796,350
2017-25 (\$26,366,170/\$23,626,724 per biennium)	105,464,680	94,506,896
Total	\$390,060,509	\$349,759,326

³ The State Water Commission plans to reimburse the water development trust fund for a portion of 2003-05 biennium expenditures from bond proceeds prior to the end of the 2003-05 biennium. Actual water project expenditures of \$8.6 million have been incurred from the water development trust fund as of May 1, 2005.

⁴ The 2003 Legislative Assembly, in Section 15 of Senate Bill No. 2022 (2003), provided for a transfer of \$10,070,373 from the water development trust fund to the general fund. As of May 3, 2005, the entire \$10,070,373 has been transferred to the general fund. The 2003-05 biennium appropriation for the State Water Commission administrative expenses of \$9,385,396 is from the general fund.

⁵ Senate Bill No. 2022 (2003) appropriated \$32,946,225 from the water development trust fund to the State Water Commission. The funding is for bond payments (approximately \$5.4 million), reimbursement to the State Department of Health for nonpoint sources of pollution control expenses (up to \$300,000), and other water control projects (approximately \$27.2 million). The Emergency Commission and the Budget Section approved a transfer of \$14.5 million of spending authority within the special funds line item from the water development trust fund to the resources trust fund for water projects. The transfer of spending authority was requested to more accurately reflect the actual July 1, 2003, beginning balances and the corresponding 2003-05 biennium appropriation of each of the funds. Actual expenditures during the 2001-03 biennium were higher than projected from the water development trust fund and less than projected from the resources trust fund (the July 1, 2003, beginning balance of the water development trust fund was estimated to be \$23.3 million at the close of the 2003 legislative session). The adjusted spending authority from the water development trust fund for water development projects (\$13,021,452) and bond payments (\$5,424,773) is \$18,446,225.

⁶ Senate Bill No. 2188 (1999) (North Dakota Century Code (NDCC) Section 61-02.1-02) authorized the State Water Commission to borrow up to \$84.8 million for state water projects to be repaid from the water development trust fund. In March 2000 the State Water Commission issued bonds totaling \$27.5 million--\$23 million for Grand Forks flood control and \$4.5 million for the Southwest Pipeline Project. The Legislative Assembly authorized, in Senate Bill No. 2022 (2003) and further amended in House Bill No. 1153 (2005), the State Water Commission to issue up to \$60 million in bonds during the 2003-05 biennium. Bond payments on the March 2000 issuance for the 2003-05 biennium will be approximately \$5.4 million. Principal and interest payments on the \$60 million issuance will not be payable until the 2005-07 biennium.

⁷ Section 5 of House Bill No. 1021 (2005) appropriated \$29,963,873 from the water development trust fund for authorized uses by the State Water Commission. Any additional amount in the water development trust fund that becomes available is appropriated to the State Water Commission for defraying the expenses of the agency. Based on estimated revenues, approximately \$6,553,431 will be available for water projects from the water development trust fund.

The total bond payments for the 2005-07 biennium, including anticipated principal and interest payments on the \$60 million bonds issued during the 2003-05 biennium, will be approximately \$14.3 million. The Legislative Assembly also authorized, in House Bill No. 1021 (2005), the State Water Commission to issue up to \$7 million in bonds during the 2005-07 biennium. However, because the bonds are not anticipated to be issued until the second year of the biennium, principal and interest related to the issuance will not be payable until the 2007-09 biennium.

The Legislative Assembly appropriated \$9,116,325 (including the appropriation included in House Bill No. 1050) from the water development trust fund for administrative expenses of the State Water Commission.

FUND HISTORY

North Dakota Century Code Section 54-27-25, created by 1999 House Bill No. 1475, established a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement money obtained by the state. Money in the fund must be transferred as follows, within 30 days of its deposit in the fund:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with money appropriated from the water development trust fund.