

## ANALYSIS OF THE STATE BONDING FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$4,903,455
Add estimated revenues		
Investment income	\$500,000	
State bonding fund claims collections	80,000	
Other income	5,000	
Total estimated revenues		\$585,000
Total available		\$5,488,455
Less estimated expenditures		
Insurance Department - Administration (2001 House Bill No. 1010)	\$67,431	
State bonding fund losses	235,000	
Claims-related expenses	20,000	
Total estimated expenditures		\$322,431
Estimated ending balance - June 30, 2003		\$5,166,024

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$5,052,126. The increase in the estimated balance of \$113,898 is due to the actual July 1, 2001, balance of \$4,903,455 being \$263,898 more than the July 1, 2001, balance estimated at the close of the 2001 Legislative Assembly of \$4,639,557.

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 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 \$2.5 million. No premiums have been charged possibly since 1953 because the bonding fund's balance has exceeded \$2.5 million.

## ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2001-03 BIENNIUM<sup>1</sup>

Beginning balance - July 1, 2001		\$61,885
Add estimated revenues		
Investment income	\$3,610	
Rentals, royalties, bonuses, and contracts	176,022	
Total estimated revenues		\$179,632
Total available		\$241,517
Less estimated expenditures		
Administrative expenses	\$25,257	
Income payments to counties	5,910 <sup>2</sup>	
Capitol Grounds Planning Commission operating expenses (2001 House Bill No. 1015)	25,000	
Capitol Grounds Planning Commission continuing appropriation	50,000	
Total estimated expenditures		\$106,167
Estimated ending balance - June 30, 2003		\$135,350

<sup>1</sup> The analysis does not include the land owned by the fund.

<sup>2</sup> The 1999 Legislative Assembly passed Senate Bill No. 2088 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 the 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.

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$127,542. The increase in the estimated balance of \$7,808 is due to the actual July 1, 2001, balance of \$61,885 being \$1,114 more than the July 1, 2001, balance estimated at the close of the 2001 legislative session of \$60,771, and the 2001-03 revised estimated revenues of \$179,632 being \$6,297 more than the previous estimate of \$173,335. The 2001-03 biennium estimated revenues are more than previously estimated due to an increase in rentals, royalties, bonuses, and contracts.

## ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND INVESTMENT AND INTEREST INCOME FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001 - Investment and interest income		\$118,965 <sup>1</sup>
Add estimated revenues		
Investment income	\$2,228,639	
School construction loan income	1,065,000	
Oil, gas, and coal impact loan income	436,777	
Total estimated revenues		\$3,730,416 <sup>2</sup>
Total available		\$3,849,381
Less estimated expenditures and transfers		
Administrative expenses	\$23,526	
Transfer to the general fund	3,630,000 <sup>3</sup>	
Total estimated expenditures and transfers		\$3,653,526
Estimated ending balance - June 30, 2003 - Investment and interest income		\$195,855 <sup>4</sup>

<sup>1</sup> Beginning balance - July 1, 2001 - The beginning balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code (NDCC) Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2001, the total value of permanent fund assets was \$55.9 million, of which \$26.8 million was school construction loans receivable, \$3.6 million was coal, oil, and gas impact loans receivable, and \$25.5 million was either invested or was a receivable of investment or other earnings.

<sup>2</sup> Estimated revenues - Current revenue estimates exceed original projections by \$51,142 due to the net effect of investment income exceeding projections and school construction loan income and energy impact loan income being less than projected. Funds held as investment generally earn a higher rate of return than funds used for school construction loans or energy impact loans. As a result of less funds being used for school construction loans and energy impact loans, more funds were held in investments, resulting in additional income for the coal development trust fund.

<sup>3</sup> Transfer to the general fund - 2001-03 biennium - The amount shown is the amount included in the 2001-03 legislative revenue forecast.

<sup>4</sup> Estimated ending balance - The currently estimated ending balance is \$47,424 more than estimated at the close of the 2001 legislative session. The additional ending balance is primarily a result of revised revenue estimates being higher than original projections.

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 December 31, 2001, the total value of permanent fund assets was \$55.9 million, of which \$26.8 million was school construction loans receivable, \$3.6 million was coal, oil, and gas impact loans receivable, and \$25.5 million was either invested or was a receivable of investment or other earnings.

**NOTE:** North Dakota Century Code 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 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.

## **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 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$5,290,078
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	729,865 <sup>1</sup>	
Projected remaining transfers from the tobacco settlement trust fund	\$4,520,125	
Total revenues		\$5,249,990 <sup>2</sup>
Total available		\$10,540,068
Less expenditures		
State Department of Health		
Tobacco prevention and control (2001 SB 2004)	\$4,700,000 <sup>3</sup>	
Dentists' loan program (2001 SB 2276)	180,000 <sup>4</sup>	
Community health grants (2001 SB 2380)	350,000 <sup>5</sup>	
Department of Human Services		
Breast and cervical cancer assistance (2001 HB 1472)	114,755 <sup>6</sup>	
Total expenditures		\$5,344,755
Estimated ending balance - June 30, 2003		\$5,195,313

<sup>1</sup> Three 2001-03 biennium transfers have been made from the tobacco settlement trust fund as of March 15, 2002, totaling \$729,865. Total transfers of \$6,019,943 have been made from the tobacco settlement trust fund to the community health trust fund.

<sup>2</sup> Revenues - Interest earned on the community health trust fund is deposited in the state general fund. The tobacco settlement revenues for the community health trust fund were estimated to be \$6,114,358 for the 2001-03 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$864,368 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	5,249,990
2003-05	5,127,121	4,594,413
2005-07	5,127,121	4,594,413
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
<b>Total</b>	<b>\$86,680,113</b>	<b>\$77,574,059</b>

- <sup>3</sup> 1999 House Bill No. 1475 (North Dakota Century Code 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 in this state. Senate Bill No. 2004 (2001) provides an appropriation of \$4.7 million to the State Department of Health for tobacco prevention and control programs. The 1999 Legislative Assembly did not appropriate to the State Department of Health any money in the community health trust fund for community-based public health programs. Consequently, no expenditures from the fund were made during the 1999-2001 biennium.
- <sup>4</sup> 2001 Senate Bill No. 2276 provides an appropriation of \$180,000 to the State Health Council for providing for a dentists' loan repayment program which provides loan assistance to certain dentists who start a practice in smaller North Dakota communities in need of a dentist.
- <sup>5</sup> The community health grant program is established in 2001 Senate Bill No. 2380 with the intent to prevent or reduce tobacco usage in the state. The bill provides an appropriation of \$100,000 for funding the Community Health Grant Program Advisory Committee and \$250,000 to provide grants to cities and counties for tobacco education and cessation programs.
- <sup>6</sup> 2001 House Bill No. 1472 provides an appropriation of \$114,755 to the Department of Human Services for providing medical assistance coverage for women screened and found to have breast and cervical cancer.

#### **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 moneys obtained by the state. Moneys in the fund must be transferred within 30 days of their deposit in the fund as follows:

- 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 CASH BALANCE OF THE DEVELOPMENTALLY DISABLED FACILITY LOAN FUND PROGRAM NO. 1 FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$41,199
Add estimated revenues		
Loan repayments	\$874,423 <sup>1</sup>	
Investment income	<u>23,982</u>	
Total estimated expenditures		<u>\$898,405</u>
Total available		\$939,604
Less estimated expenditures		
Loans	\$0	
Department of Human Services (2001 HB 1012)	871,765	
Administrative service fees	<u>27,359</u>	
Total estimated expenditures		<u>\$899,124</u>
Estimated ending balance - June 30, 2003		<u><u>\$40,480</u></u>

<sup>1</sup> Collections by the Bank of North Dakota on outstanding loans are approximately \$36,400 per month.

<sup>2</sup> Section 9 of 2001 House Bill No. 1015 authorizes the Department of Human Services at the request of the director of the Office of Management and Budget to sell the remaining developmental disabilities loans in this fund to the Bank of North Dakota and to deposit the proceeds estimated at \$2 million in the general fund. If these loans are sold, there will no longer be a cash balance in this fund that will be available for appropriation to the Department of Human Services.

**NOTE:** The estimated June 30, 2003, balance made at the close of the 2001 Legislative Assembly was \$0. The increase of \$40,480 is due primarily to the June 30, 2001, balance being more than estimated as a result of the Department of Human Services 1999-2001 biennium expenditures being \$52,700 less than the \$1,192,700 appropriated.

### FUND HISTORY

The developmentally disabled facility loan fund program (loan No. 1) was established in 1981 by appropriating \$4 million from the lands and minerals trust fund to create the revolving fund to provide loans for intermediate care facilities for developmentally disabled persons and residential facilities for physically disabled persons.

As of January 31, 2002, outstanding loans of the developmentally disabled facility loan fund program No. 1 total \$2,412,967. Developmentally disabled facility loan fund program Nos. 2 and 3 are authorized by North Dakota Century Code (NDCC) Chapter 6-09.6 to borrow funds from the common schools trust fund to finance the programs. The outstanding loan balance on January 31, 2002, for program No. 2 is \$2,176,436 and for program No. 3 is \$2,696,067.

### SUMMARY OF DEVELOPMENTALLY DISABLED FACILITY LOAN FUND PROGRAM NOS. 1, 2, AND 3

The following provides information regarding the statutory provisions of the developmentally disabled facility loan fund programs.

The first developmentally disabled facility loan fund program (loan No. 1) was established in 1981 by appropriating \$4 million from the lands and minerals trust fund. According to NDCC Section 6-09.6-01, the purpose of the program is to create a revolving loan fund which provides loans for the establishment of facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. The Bank of North Dakota is responsible for maintaining the loan fund. All money transferred into the fund, interest earned upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for providing loans in accordance with the intent of the program.

The second developmentally disabled facility loan fund program (loan No. 2) was created in 1983 in accordance with NDCC Section 6-09.6-01.1. The law provides the authorization for the loan fund to borrow up to \$5 million from the common schools trust fund to fulfill its purpose which is to provide means for the establishment of facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. All payments of principal and interest received by the loan fund and any interest earned by the loan fund must be credited to the lands and minerals trust fund after service fees have been deducted by the Bank of North Dakota for administration of the fund. Money in the lands and minerals trust fund are appropriated to repay money borrowed by the loan fund from the common schools trust fund.

The third developmentally disabled facility loan fund program (loan No. 3) was established in 1985 by NDCC Section 6-09.6-01.2. The loan fund received authorization by law to borrow up to \$4,951,145 from the common schools trust fund. The purpose of the third loan fund remains consistent with the first two developmentally disabled facility loan funds, which is to provide means for the establishment of facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. All payments of principal and interest received by the loan fund and any interest earned by the loan fund less service fees deducted by the Bank of North Dakota for administration of the fund must be paid to the lands and minerals trust fund. Money in the lands and minerals trust fund are appropriated to repay money received by the loan fund from the common schools trust fund.



## ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND FOR THE 2001-03 BIENNIUM

Balance - July 1, 2001		\$1,079,214
Add estimated revenues		<u>2,550,000<sup>1</sup></u>
Total available		\$3,629,214
Less estimated expenditures		
Agriculture Commissioner		
Noxious weed control (2001 HB 1009)	\$1,404,602	
Pesticide disposal project (Safe Send) (2001 HB 1009)	596,842	
Pesticide programs (2001 HB 1009)	314,620	
Compensation package	25,751	
Crop Protection Product Harmonization and Registration Board		
Crop protection product registration and labeling and grants (2001 HB 1328)	250,000 <sup>2</sup>	
Minor use pesticide registration (2001 HB 1467)	500,000 <sup>3</sup>	
State Department of Health		
Ground water testing (2001 SB 2004)	<u>200,000</u>	
Total estimated expenditures		<u>\$3,291,815</u>
Estimated ending balance - June 30, 2003		<u><u>\$337,399</u></u>

<sup>1</sup> The 1999 Legislative Assembly approved Senate Bill No. 2009 which includes a provision increasing the biennial pesticide registration fee by \$50, from \$300 to \$350 only for the 1999-2001 biennium. The 2001 Legislative Assembly approved House Bill No. 1009 which continued the \$350 biennial pesticide registration fee for the 2001-03 biennium. This increase was estimated by the 2001 Legislative Assembly to generate \$416,650, resulting in \$2,499,900 total estimated revenues to be deposited in the environment and rangeland protection fund. The \$50,100 increase in estimated revenues is due to a higher number of products registered than previously anticipated.

<sup>2</sup> The 2001 Legislative Assembly in House Bill No. 1328 and House Bill No. 1009 created the Crop Protection Product Harmonization and Registration Board. The duties of the board are to:

- 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 Agricultural 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.
- 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 are:

- 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).

<sup>3</sup> This 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.

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$136,437. The increase is due to the July 1, 2001, balance being more than projected and revenues exceeding estimates made during the 2001 legislative session.

North Dakota Century Code Section 19-18-02.1 created by 1991 Senate Bill No. 2451 establishes 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 for the 2001-03 biennium. Of this amount, \$300 is deposited in the environment and rangeland protection fund and \$50 in the general fund. Beginning July 1, 2003, 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 STATE FIRE AND TORNADO FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$16,688,094
Add estimated revenues		
Premium collections	\$6,900,000	
Investment income	2,000,000	
Boiler inspection fees	280,000	
Insurance recoveries	1,000,000	
Loss claims recovery	200,000	
Other	5,000	
Total estimated revenues		\$10,385,000
Total available		\$27,073,094
Less claims payments		
Loss claims payments	\$9,500,000	
1997 Red River Valley flood loss claims payments	150,000	
Insurance Department - Administration (2001 House Bill No. 1010)	831,145	
State Fire Marshal program (2001 House Bill No. 1003)	385,143	
Firemen's Association grants (2001 House Bill No. 1015)	126,000	
Claims-related payments	2,200,000	
Total estimated expenditures		\$13,192,288
Estimated ending balance - June 30, 2003		\$13,880,806

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 Legislative Assembly was \$14,654,708. The decrease in the estimated balance of \$773,902 is due to the actual July 1, 2001, balance of \$16,688,094 being \$1,936,098 more than the July 1, 2001, balance estimated at the close of the 2001 Legislative Assembly of \$14,751,996, and 2001-03 biennium estimated expenditures of \$13,192,288 being \$2,300,000 more than the previous estimate of \$10,892,288. The 2001-03 biennium estimated expenditures are more than previously estimated due to claims payments being more than originally projected and an unanticipated increase in the Insurance Department's property reinsurance premium.

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 fund balance is less than \$12 million, the Insurance Commissioner must increase assessments on policies.

## ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$10,517,143 <sup>1</sup>
Add estimated revenues		
Oil extraction tax allocations	\$4,214,403 <sup>2</sup>	
Total available		\$14,731,546
Less estimated expenditures		
Transfer to foundation aid program	\$0 <sup>3</sup>	
Estimated ending balance - June 30, 2003		\$14,731,546 <sup>4</sup>

<sup>1</sup> Beginning balance - Actual 1999-2001 biennium revenues were \$113,298 less than estimated at the close of the 2001 legislative session, resulting in a 2001-03 biennium beginning balance of \$10,517,143, \$113,298 less than the estimated beginning balance.

<sup>2</sup> Estimated revenues - Based on actual oil extraction tax collections through January 2002, revenues for the 2001-03 biennium are currently estimated to be \$230,170 less than estimated at the close of the 2001 legislative session.

<sup>3</sup> Estimated 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 2001-03 biennium.

<sup>4</sup> Estimated ending balance - Based on the actual July 1, 2001, beginning balance and the current estimate of 2001-03 biennium revenues, the June 30, 2003, ending balance is currently estimated to be \$343,468 less than estimated at the close of the 2001 legislative session.

### 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 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 period July 1, 2001, through February 28, 2002, \$115,808 of interest from the foundation aid stabilization fund has been allocated to the general fund.

## ANALYSIS OF THE HEALTH CARE TRUST FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$39,147,532
Add estimated revenues		
2000 government nursing facility funding pool payment (July 2001)	\$15,398,174	
2001 government nursing facility funding pool payment (July 2002)	11,754,986	
Investment earnings	4,000,000	
Loan repayments - Principal and interest	539,747	
Total estimated revenues		\$31,692,907
Total available		\$70,840,439
Less estimated expenditures		
Department of Human Services		
Grants - 1999-2001 commitments (2001 HB 1196)	\$100,226	
Loans - 1999-2001 commitments (2001 HB 1196)	4,960,000	
Loans - 2001-03 biennium (2001 HB 1196)	7,040,000	
Service payments for elderly and disabled (SPED) (2001 HB 1196)	6,898,302	
Health Insurance Portability and Accountability Act (HIPAA) computer project - State matching and other technology projects (2001 HB 1196)	3,000,000	
Nursing home bed reduction incentive (2001 HB 1196)	4,000,000	
Nursing facility employee compensation enhancement (2001 HB 1196)	8,189,054	
Basic care employee compensation enhancement (2001 HB 1196)	202,080	
Nursing facility rate limit increases resulting from rebasing (2001 HB 1196)	681,846	
Nursing facility and intermediate care facility for the mentally retarded personal care allowance increase (2001 HB 1196)	309,600	
Basic care facility personal care allowance increase (2001 HB 1196)	180,000	
Qualified service provider training grants (2001 HB 1196)	140,000	
Senior citizen mill levy match (2001 HB 1196)	250,000	
Medical assistance - Targeted case management (2001 HB 1196)	338,530	
Independent living center grants (2001 HB 1196)	100,000	
Statewide long-term care needs assessment (2001 HB 1196)	241,006	
Administrative costs (2001 HB 1196)	71,158	

State Department of Health		
Quick response unit pilot project (2001 HB 1202)	225,000	
Scholarship and nurses student loan repayment grant program (2001 HB 1196)	489,500	
Bank of North Dakota administrative fee (continuing appropriation)	<u>79,615</u>	
Total estimated expenditures		<u>\$37,495,917</u>
Estimated balance - June 30, 2003		<u>\$33,344,522<sup>1</sup></u>

<sup>1</sup> Section 39 of House Bill No. 1196 provides that the State Treasurer may not approve payments from the fund that would reduce the fund's unobligated balance below \$13 million except for payments to repay the federal government for disputed claims until the Department of Human Services certifies to the State Treasurer that the federal Health Care Financing Administration's claim for the return of \$13 million of the state's first year (FY 2000) payment has been resolved. The department has not yet received final assurances from the federal government that it will not require the state to return the \$13 million from the state's first-year claim.

**NOTE:** The estimated June 30, 2003, balance made at the close of the 2001 Legislative Assembly was \$35,633,108. The decrease of \$2,288,586 is due to lower than estimated investment income during the 2001-03 biennium.

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--McVillie 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 adopted rules to eliminate this intergovernmental transfer program. As a result, North Dakota's final intergovernmental transfer payment is expected to be made in July 2004.

## ANALYSIS OF THE LANDS AND MINERALS TRUST FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$2,053,626 <sup>1</sup>
Add estimated revenues		
Production royalties	\$2,232,001	
Mineral leases	111,596	
Oil and gas bonuses	103,968	
Investment earnings	150,991	
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	1,627,474	
Total estimated revenues		\$4,226,030 <sup>2</sup>
Total available		\$6,279,656
Less estimated expenditures and transfers		
Payments to common schools trust fund - Developmentally disabled loan fund Nos. 2 and 3 (2001 HB 1012)	\$2,077,969 <sup>3</sup>	
Transfer to the general fund (2001 HB 1015)	3,545,102	
Administrative costs/other fees	161,804	
Total estimated expenditures and transfers		\$5,784,875
Estimated ending balance - June 30, 2003		\$494,781 <sup>4</sup>

<sup>1</sup> Beginning balance - The actual July 1, 2001, beginning balance was \$272,975 more than estimated at the close of the 2001 legislative session.

<sup>2</sup> Estimated revenues - Revenues for the 2001-03 biennium are currently estimated to be \$162,013 more than estimated at the close of the 2001 legislative session, primarily as a result of an increase in anticipated loan repayments from facilities providing services to the developmentally disabled.

<sup>3</sup> Payments to common schools trust fund - 2001-03 biennium - House Bill No. 1012 (2001) provides an appropriation of \$2,261,556 from the lands and minerals trust fund to the Department of Human Services for the purpose of making payments of principal and interest to the common schools trust fund for loans made to developmentally disabled loan fund Nos. 2 and 3. However, the Land Department estimates that for the 2001-03 biennium only \$2,077,969 will be required to make the loan payments to the common schools trust fund.

<sup>4</sup> Estimated ending balance - The estimated ending balance is \$440,268 more than estimated at the close of the 2001 legislative session due to an increase in the beginning balance and current revenue estimates.

### 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 2001-03 BIENNIUM<sup>1</sup>

Beginning balance - July 1, 2001		\$11,812,939
Add estimated receipts		
Separate two cent coal severance tax	\$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)	3,375,000	
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)	1,350,000	
Investment income on Dakota Gasification Company ammonia plant	103,189	
Interest income	360,000	
Total estimated receipts		\$6,388,189
Total available		\$18,201,128
Less estimated expenditures		
Administration	\$400,000	
Lignite marketing feasibility studies	1,360,000 <sup>2,3</sup>	
Small research projects	2,371,772 <sup>2,3</sup>	
Demonstration projects	9,520,853 <sup>2,3</sup>	
Total estimated expenditures		\$13,652,625
Estimated ending balance - June 30, 2003		\$4,548,503

<sup>1</sup> 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.

<sup>2</sup> The Industrial Commission has a policy that 45 percent of lignite research fund income will be used for small research projects and 55 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.

<sup>3</sup> The Industrial Commission has waived the fund allocation policy and has committed \$20,000,000 through the 2007-09 biennium with \$5,430,750 in demonstration project expenditures anticipated during the 2001-03 biennium for the Lignite Vision 21 Project. The object of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota.

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$2,457,382. The increase in the estimated balance of \$2,091,121 is due to the actual July 1, 2001, balance of \$11,812,939 being \$190,557 more than the July 1, 2001, balance estimated at the close of the 2001 Legislative Assembly of \$11,622,382, and 2001-03 biennium estimated expenditures of \$13,652,625 being \$2,797,375 less than the previous estimate of \$16,450,000. The 2001-03 biennium estimated expenditures are less than previously estimated due to less anticipated expenditures relating to the demonstration projects.



## ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$13,179,298
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections (estimated June 30, 2003, transfer)	\$5,386,000	
Total estimated revenues		\$5,386,000
Total available		\$18,565,298
Less estimated expenditures		0 <sup>1</sup>
Estimated ending balance - June 30, 2003		\$18,565,298

<sup>1</sup> Pursuant to North Dakota Century Code 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.

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$21,488,435. The decrease in the estimated balance of \$2,923,137 is due to the actual July 1, 2001, balance of \$13,179,298 being \$843,458 more than the July 1, 2001, balance estimated at the close of the 2001 legislative session of \$12,335,840, and the estimated revenues being \$3,766,595 less than the previous estimate of \$9,152,595.

North Dakota Century Code 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 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 \$62 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.

## ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$14,727,287
Add estimated revenues		
Oil extraction tax collections	\$8,522,152 <sup>1</sup>	
Repayments and reimbursements	1,799,439	
Investment earnings/miscellaneous	778,840	
Total estimated revenues		\$11,100,431
Total available		\$25,827,718
Less estimated expenditures		
State Water Commission		
Grants and administration (2001 HB 1023)	21,718,031 <sup>2</sup>	
Total estimated expenditures		\$21,718,031
Estimated ending balance - June 30, 2003		\$4,109,687

<sup>1</sup> Oil extraction tax collections - 2001-03 biennium oil extraction tax collections were estimated to be \$8,846,808 at the end of the 2001 legislative session. The decrease in collections of \$324,656 is due to lower than estimated oil production.

<sup>2</sup> Estimated expenditures - 2001 House Bill No. 1023 provides that any 2001-03 resources trust fund revenues in excess of \$21,718,031 are appropriated to the State Water Commission, subject to Emergency Commission approval.

**NOTE:** The estimated June 30, 2003, ending balance is \$508,115 more than the \$3,601,572 estimated at the close of the 2001 legislative session. The increase is due to the July 1, 2001, balance being more than projected and higher than anticipated investment earnings.

### FUND HISTORY

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 general fund.

## ANALYSIS OF THE RISK MANAGEMENT FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$3,660,111
Add estimated revenues		
Premiums	\$3,580,957	
Investment income	60,000	
Total estimated revenues		\$3,640,957
Total available		\$7,301,068
Less estimated expenditures		
Administration (2001 House Bill No. 1015)	\$896,304	
Claims-related expenses - Continuing appropriation	2,189,772	
Claims and litigation - Continuing appropriation	2,331,000	
Total estimated expenditures		\$5,417,076
Estimated ending balance - June 30, 2003		\$1,883,992

**NOTE:** The estimated June 30, 2003, balance made at the end of the 2001 Legislative Assembly was \$551,748. The increase in the estimated balance of \$1,332,244 is due to the actual July 1, 2001, balance of \$3,660,111 being \$1,505,714 more than the July 1, 2001, balance estimated at the close of the 2001 Legislative Assembly of \$2,154,397. The actual July 1, 2001, balance was more than estimated due to lower than anticipated expenditures during the 1999-2001 biennium.

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) contained in North Dakota Century Code Section 32-12.2-07, 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 STATE AID DISTRIBUTION FUND FOR THE 2001-03 BIENNIUM

Balance - July 1, 2001		\$0
Add estimated receipts		
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)		\$65,660,087
Total available		\$65,660,087
Less estimated expenditures		
Payments to political subdivisions		
County share (53.7%)	\$35,259,467	
City share (46.3%)	30,400,620	
Total estimated expenditures		\$65,660,087
Estimated ending balance - June 30, 2003		\$0

**NOTE:** The amounts shown above reflect the revised 2001-03 revenue forecast (December 2001). Estimated 2001-03 biennium receipts based on the forecast made at the end of the 2001 Legislative Assembly were \$65,846,609. The revised forecast reduced estimated receipts by \$186,522. Through January 2002, state aid distribution fund receipts have exceeded estimates made at the end of the 2001 Legislative Assembly by approximately \$781,000 due to higher than anticipated sales and motor vehicle excise tax collections.

North Dakota Century Code (NDCC) Section 57-39.2-26.1 provided, prior to January 1, 1999, for the deposit of a portion of sales, use, and motor vehicle excise tax collections equal to 60 percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate that was in effect when the sales were collected times the net sales, use, and motor vehicle excise tax allocations by the State Treasurer in the state aid distribution fund. The State 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 one percent of the net sales, use, and motor vehicle excise tax collections instead of an amount equal to 60 percent of one percent of the net sales, use, and motor vehicle excise tax collections. 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.

State revenue sharing funding was allocated to political subdivisions based on population and mill levies, and personal property tax funding was allocated to political subdivisions based on the historic real property taxes levied. The new allocation provides for 53.7 percent of the revenues to be distributed to counties and 46.3 percent to be distributed to cities. The distribution to the counties and cities is based on population categories. Each population category receives a percentage of the county or city share of the total and is then allocated to the counties or cities within the categories based on population. The following chart shows the allocation of the fund to the various county and city population categories:

<b>Population Category</b>			
<b>Counties</b>	<b>Percentage</b>	<b>Cities</b>	<b>Percentage</b>
100,000 or more	10.4	20,000 or more	53.9
40,000 or more but less than 100,000	18.0	10,000 or more but less than 20,000	16.0
20,000 or more but less than 40,000	12.0	5,000 or more but less than 10,000	4.9
10,000 or more but less than 20,000	14.0	1,000 or more but less than 5,000	13.1
5,000 or more but less than 10,000	23.2	500 or more but less than 1,000	6.4
2,500 or more but less than 5,000	18.3	200 or more but less than 500	3.5
Less than 2,500	4.1	Less than 200	2.2
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$0
Add revenues		
Tobacco settlement revenues collected to date	\$7,298,647 <sup>1</sup>	
Projected tobacco settlement revenues	45,201,247	
Total revenues		\$52,499,894 <sup>2</sup>
Total available		52,499,894 <sup>3</sup>
Less expenditures and transfers		
Transfers to the community health trust fund (10%)	\$5,249,990	
Transfers to the common schools trust fund (45%)	23,624,952	
Transfers to the water development trust fund (45%)	23,624,952	
Total expenditures and transfers		\$52,499,894
Estimated ending balance - June 30, 2003		\$0

<sup>1</sup> Three 2001-03 biennium tobacco settlement payments have been received by the state as of March 15, 2002, totaling \$7,298,647. Total tobacco settlement collections of \$60,199,431 have been received by North Dakota.

<sup>2</sup> Revenues - 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 were transferred immediately to the proper trust funds; therefore, no interest has been earned by the tobacco settlement trust fund to date.

<sup>3</sup> The tobacco settlement proceeds for the 2001-03 biennium were estimated to be \$61,143,578 at the end of the 1999 legislative session. The decrease in the amount of tobacco settlement revenues collected for the biennium of \$8,643,684 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:

Biennium	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	52,499,894
2003-05	51,271,214	45,944,134
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
<b>Total</b>	<b>\$866,801,136</b>	<b>\$775,740,604</b>

## 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 within 30 days of their deposit in the fund as follows:

- 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 54-27-25 requires transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by Section 61-02.1-01. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that the deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 2001-03 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

## ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND FOR THE 2001-03 BIENNIUM

Balance - July 1, 2001		\$4,448,289
Add estimated revenues		
Investment income	\$363,000	
Miscellaneous income (sale of two vans)	19,242	
Total estimated revenues		\$382,242
Total available		\$4,830,531
Less estimated expenditures		
Department of Veterans Affairs - Anticipated expenditures pursuant to continuing appropriation authority contained in Article X of the North Dakota Constitution as approved by the voters in November 1996		
Grants	\$200,000	
Salaries and rent	61,500	
Audit	2,000	
Veterans' transportation program	2,000	
Board travel	8,500	
Total estimated expenditures		\$274,000
Estimated ending balance - June 30, 2003		\$4,556,531

**NOTE:** The principal balance of the fund is \$4,101,849, leaving an estimated available investment income balance of \$454,682 as of June 30, 2003.

The estimated June 30, 2003, balance made at the end of the 2001 legislative session was \$4,359,282. The increase of \$197,249 is due primarily to the July 1, 2001, balance being more than projected and an increase in estimated revenues from the sale of the vans.

### 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:

- Established the veterans' postwar trust fund as a permanent fund.
- 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.
- 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.
- 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 the 1991-93 biennium 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 2001-03 BIENNIUM

Beginning balance - July 1, 2001		\$23,805,353
Add revenues		
Transfers to date from tobacco settlement trust fund	\$3,284,391 <sup>1</sup>	
Projected remaining transfers from tobacco settlement trust fund	20,340,561	
Total estimated revenues		\$23,624,952 <sup>2</sup>
Total available		\$47,430,305
Less expenditures		
Transfer to the general fund (2001 HB 1023)	\$9,733,820 <sup>3</sup>	
State Water Commission		
Bond payments (2001 HB 1023)	8,636,398 <sup>4</sup>	
Water development projects (2001 HB 1023)	28,995,286 <sup>5</sup>	
Section 404 of the Clean Water Act (2001 SB 2285)	800,000 <sup>6</sup>	
State Department of Health		
Total maximum daily load and pollution control plans (2001 SB 2004)	99,756 <sup>7</sup>	
Total expenditures		\$48,265,260 <sup>8</sup>
Estimated ending balance - June 30, 2003		(\$834,955) <sup>9</sup>

<sup>1</sup> Three 2001-03 biennium transfers have been made from the tobacco settlement trust fund as of March 15, 2002, totaling \$3,284,391. Total transfers of \$27,089,744 have been made from the tobacco settlement trust fund to the water development trust fund.

<sup>2</sup> Revenues - Interest earned on the water development trust fund is not retained in the fund but deposited in the state general fund. The tobacco settlement revenues for the water development trust fund were estimated to be \$27,514,610 for the 2001-03 biennium at the end of the 1999 legislative session. The decrease in the amount of revenues collected from the tobacco settlement trust fund of \$3,889,658 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	23,624,952
2003-05	23,072,046	20,674,860
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
<b>Total</b>	<b>\$390,060,509</b>	<b>\$349,083,271</b>

<sup>3</sup> Transfer to general fund - The 2001 Legislative Assembly transferred \$9,733,820, the amount for the State Water Commission administrative expenses, from the water development trust fund to the general fund. A general fund appropriation was then provided by the 2001 Legislative Assembly for the administrative expenses.

- <sup>4</sup> Senate Bill No. 2188 (1999) (North Dakota Century Code (NDCC) Section 61-02.1-02) authorized the State Water Commission to bond up to \$84.8 million for state water projects to be repaid from the water development trust fund. The March 2000 bonding provided a total of \$27.5 million, \$23 million for the Grand Forks flood control project and \$4.5 million for the Southwest Pipeline Project. The 2001-03 bond payments relating to the March 2000 bond issuance is approximately \$5.43 million, and the remaining \$3.2 million is the amount set aside for bond payments relating to possible 2001-03 bond issuances.
- <sup>5</sup> House Bill No. 1475 (1999) (NDCC Section 54-27-25) provides that money in the water development trust fund are to be used to address the long-term water development and management needs of the state. The authorization for water projects includes the \$28,572,333 included in the water projects line item in Section 1 of the bill and \$422,953 of additional operating costs relating to water projects.
- <sup>6</sup> The 2001 Legislative Assembly authorized \$800,000 of funding from the water development trust fund for the State Water Commission to assume jurisdiction over and administer the Section 404 program of the Clean Water Act. The appropriation becomes effective on the date the State Engineer certifies to the Governor that a program has been designed to effectively assume responsibility for the Section 404 program of the Clean Water Act and the State Water Commission is ready to assume those responsibilities.
- <sup>7</sup> The 2001 Legislative Assembly authorized \$99,756 from the water development trust fund to replace the general fund portion of the appropriation for two FTE positions and related operating expenses and equipment to develop total maximum daily loads and pollution control plans.
- <sup>8</sup> The State Water Commission is authorized to spend up to \$67.8 million from the water development trust fund, resources trust fund, and bond proceeds on new water development projects for the 2001-03 biennium. Section 14 of 2001 House Bill No. 1023 limits the bonding authority for the new projects to \$20 million plus the cost of issuing bonds. Contracts for water projects to be paid from the water development trust fund may initially be issued up to an amount equal to 75 percent of the amount appropriated from that fund. Contracts for the remaining 25 percent appropriated may only be issued to the extent uncommitted funds are available in the water development trust fund. The State Water Commission is also authorized in 2001 House Bill No. 1015 to spend up to \$5 million from the resources trust fund or bond proceeds for levees at Devils Lake, which increases the bonding cap to \$25 million and the water project cap to \$72.8 million.
- <sup>9</sup> If adequate money is not available in the fund to provide for the appropriations and transfers as current projections indicate, expenditures will need to be reduced to maintain a positive ending balance.

#### **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 within 30 days of their deposit in the fund as follows:

- 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 54-27-25 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by Section 61-02.1-01. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the money deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 2001-03 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected 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.