

## ANALYSIS OF THE STATE BONDING FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$4,589,688	\$4,639,557
Add estimated revenues		
Investment income	\$375,000	\$750,000
State bonding fund claims collections	78,000	80,000
Other income	4,300	5,000
Total estimated revenues	457,300	835,000
Total available	\$5,046,988	\$5,474,557
Less estimated expenditures		
Insurance Department - Administration (1999 SB 2010, 2001 HB 1010)	\$67,431	\$67,431
State bonding claims losses	325,000	335,000
Claims-related payments	15,000	20,000
Total estimated expenditures	407,431	422,431
Estimated ending balance	\$4,639,557	\$5,052,126

**NOTE:** 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 premium has been charged possibly since 1953 because the bonding fund's balance has exceeded \$2.5 million.

## ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$419,411	\$60,771
Add estimated revenues		
Investment income	\$12,566	\$11,710
Rentals, royalties, bonuses, and contracts	191,709	161,625
Total estimated revenues	204,275	173,335
Total available	\$623,686	\$234,106
Less estimated expenditures		
Administrative expenses	\$22,354	\$26,086
Income payments to counties	4,651 <sup>1</sup>	5,478 <sup>1</sup>
Facility Management capital improvements (1997 HB 1015)	309,310 <sup>2</sup>	
Facility Management Capitol complex master plan (1999 SB 2015)	225,000 <sup>3</sup>	
Capitol Grounds Planning Commission operating expenses (1999 SB 2015 - 2001 HB 1015)	1,600 <sup>4</sup>	25,000
Capitol Grounds Planning Commission - Continuing appropriation	0 <sup>5</sup>	50,000
Total estimated expenditures	562,915	106,564
Estimated ending balance	\$60,771	\$127,542

<sup>1</sup> North Dakota Century Code (NDCC) Section 15-04-23 requires the Board of University and School Lands 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 five 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.

<sup>2</sup> The \$309,310 of Facility Management carryover from the 1997-99 biennium is for the following projects:

New Capitol roofs	\$256,610
Granite paver caulking and repair	20,700
Capitol automation	32,000
Total	\$309,310

<sup>3</sup> Senate Bill No. 2015 (1999) appropriates \$225,000 from the Capitol building fund for a Capitol complex master plan.

<sup>4</sup> The Capitol Grounds Planning Commission anticipates using \$1,600 of the \$25,000 appropriated in Senate Bill No. 2015 (1999) to the commission from the Capitol building fund for operating expenses.

<sup>5</sup> The Capitol Grounds Planning Commission anticipates using no funds for the 1999-2001 biennium from the Capitol building fund \$50,000 continuing appropriation provided in NDCC Section 48-10-02.

**ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND INVESTMENT  
AND INTEREST INCOME FOR THE 1999-2001 AND 2001-03 BIENNIUMS**

	1999-2001 Biennium	2001-03 Biennium
Beginning balance - Investment and interest income	\$0 <sup>1</sup>	\$125,318 <sup>1</sup>
Add estimated revenues		
Investment income	\$2,552,635	\$1,794,274
School construction loan income	1,105,429	1,165,000
Oil, gas, and coal impact loan income	518,314	720,000
Total estimated revenues	4,176,378	3,679,274
Total available	\$4,176,378	\$3,804,592
Less estimated expenditures and transfers		
Administrative expenses	\$22,060	\$26,161
Transfer to the general fund	4,029,000 <sup>2</sup>	3,630,000 <sup>3</sup>
Total estimated expenditures and transfers	4,051,060	3,656,161
Estimated ending balance - Investment and interest income	\$125,318 <sup>4</sup>	\$148,431 <sup>4</sup>

**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.

<sup>1</sup> Beginning balance - July 1, 1999, and 2001 - 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, 2001, the total value of permanent fund assets was \$55.1 million, of which \$26.3 million was school construction loans receivable, \$4.1 million was coal, oil, and gas impact loans receivable, and \$24.6 million was either invested or was a receivable of investment or other earnings.

<sup>2</sup> Transfer to the general fund - 1999-2001 biennium - The original legislative general fund revenue estimate for the 1999-2001 biennium included \$3,475,000 from the income of the coal development trust fund. However, the revised revenue forecast for the 1999-2001 biennium, as adopted by the 2001 Legislative Assembly, includes the transfer of \$4,029,000 from the income of 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, which is \$630,000 more than the amount included in the Schafer revenue forecast, no change from the amount included in the Hoeven revenue forecast.

<sup>4</sup> Estimated 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, 2001, the total value of permanent fund assets was \$55.1 million, of which \$26.3 million was school construction loans receivable, \$4.1 million was coal, oil, and gas impact loans receivable, and \$24.6 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 moneys in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15-60-10 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 moneys 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 (4.5 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 1999-2001 AND 2001-03 BIENNIUMS**

	<u>1999-2001 Biennium</u>	<u>2001-03 Biennium</u>
Beginning balance	\$0	\$5,287,951
Add estimated revenues		
Transfers to date from the tobacco settlement trust fund	\$5,287,951 <sup>1</sup>	
Projected transfers from the tobacco settlement trust fund		\$5,307,289
Total estimated revenues	<u>5,287,951 <sup>2</sup></u>	<u>5,307,289 <sup>2</sup></u>
Total available	\$5,287,951	\$10,595,240
Less estimated expenditures		
State Department of Health		
Tobacco prevention and control (2001 Senate Bill No. 2004)		4,700,000 <sup>4</sup>
Dentists' loan program (2001 Senate Bill No. 2276)		180,000 <sup>5</sup>
Community health grants (2001 Senate Bill No. 2380)		350,000 <sup>6</sup>
Department of Human Services		
Breast and cervical cancer assistance (2001 House Bill No. 1472)		114,755 <sup>7</sup>
Total estimated expenditures	<u>0 <sup>3</sup></u>	<u>5,344,755</u>
Estimated ending balance	<u><u>\$5,287,951</u></u>	<u><u>\$5,250,485</u></u>

<sup>1</sup> As of April 2001, nine transfers have been made from the tobacco settlement trust fund totaling \$5,287,951.

<sup>2</sup> Estimated revenues - Interest earned on the community health trust fund is deposited in the state general fund.

<sup>3</sup> Estimated expenditures - 1999 House Bill No. 1475 provides that moneys 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. The 1999 Legislative Assembly did not appropriate to the State Department of Health any moneys in the community health trust fund for community-based public health programs. Consequently, no expenditures from the fund are anticipated during the 1999-2001 biennium.

<sup>4</sup> 2001 Senate Bill No. 2004 provides an appropriation to the State Department of Health for tobacco prevention and control programs.

<sup>5</sup> 2001 Senate Bill No. 2276 provides an appropriation 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>6</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>7</sup>2001 House Bill No. 1472 provides an 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**

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 as follows, within 30 days of their 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 CASH BALANCE OF THE DEVELOPMENTALLY DISABLED FACILITY LOAN FUND  
PROGRAM NO. 1 FOR THE 1999-2001 AND 2001-03 BIENNIUMS**

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$251,443	\$0
Add estimated revenues		
Loan repayments	\$906,789	\$874,423 <sup>3</sup>
Investment income	49,246	20,666
Total estimated revenues	956,035	895,089
Total available	\$1,207,478	\$895,089
Less estimated expenditures		
Loans		
Department of Human Services (1999 SB 2012, 2001 HB 1012)	\$1,172,231 <sup>1</sup>	\$870,979 <sup>4</sup>
Administrative service fees	35,247	24,110
Total estimated expenditures	1,207,478	895,089
Estimated ending balance	\$0 <sup>2</sup>	\$0 <sup>5</sup>

<sup>1</sup> Although the 1999 Legislative Assembly appropriated \$1,192,700 from this fund to the Department of Human Services for the 1999-2001 biennium, based on projected revenues and expenditures, it is estimated only \$1,172,231 of the \$1,192,700 appropriation will be available during the 1999-2001 biennium.

<sup>2</sup> Section 15 of 1999 Senate Bill No. 2015 authorizes the Department of Human Services to sell, during the last six months of the 1999-2001 biennium, developmental disabilities loans to the Bank of North Dakota to the extent necessary to provide up to \$2,150,000 of proceeds to be transferred to the general fund as requested by the director of the Office of Management and Budget. The director of the Office of Management and Budget may request these loans be sold in order to maintain the legislative ending general fund balance of \$11,318,856. The Office of Management and Budget does not anticipate selling these loans during the 1999-2001 biennium.

<sup>3</sup> Collections by the Bank of North Dakota on outstanding loans are approximately \$36,400 per month.

<sup>4</sup> Although the 2001 Legislative Assembly in House Bill No. 1012 appropriated \$871,765 from this fund to the Department of Human Services for the 2001-03 biennium, based on the projected revenues and expenditures, it is estimated that only \$870,979 of the \$871,765 appropriation will be available during the 2001-03 biennium.

<sup>5</sup> The 2001 Legislative Assembly authorized the Department of Human Services, at the request of the director of the Office of Management and Budget, to sell the remaining loans in this fund to the Bank of North Dakota at the end of the 2001-03 biennium and to deposit the proceeds estimated at \$2 million in the general fund. As a result, there will no longer be a cash balance in this fund that will be available for appropriation to the Department of Human Services.

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 March 31, 2001, outstanding loans of the developmentally disabled facility loan fund No. 1 program total \$2,660,112. Developmentally disabled facility loan fund programs 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 March 31, 2001, for program No. 2 is \$2,392,306 and for program No. 3 is \$3,011,242.

### **SUMMARY OF DEVELOPMENTALLY DISABLED FACILITY LOAN FUND PROGRAMS 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 moneys transferred into the fund, interest earned upon moneys 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. Moneys in the lands and minerals trust fund are appropriated to repay moneys 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. Moneys in the lands and minerals trust fund are appropriated to repay moneys received by the loan fund from the common schools trust fund.



## ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$701,250	\$928,352
Add estimated revenues	2,723,000 <sup>1</sup>	2,499,900 <sup>3</sup>
Total available	\$3,424,250	\$3,428,252
Less estimated expenditures		
Agriculture Commissioner		
Noxious weed control (1999 SB 2009, 2001 HB 1009)	\$1,068,881	\$1,404,602
Pesticide disposal project (Safe Send) (1999 SB 2009, 2001 HB 1009)	573,907	596,842
Pesticide programs (1999 SB 2009, 2001 HB 1009)	266,467	314,620
Employee compensation package	11,643	25,751
Pesticide Control Board		
Minor use pesticide registration (1999 SB 2009)	285,000 <sup>2</sup>	
Crop Protection Product Harmonization and Registration Board		
Crop protection product registration and labeling and grants (2001 HB 1328)		250,000 <sup>4</sup>
Minor use pesticide registration (2001 HB 1467)		500,000 <sup>5</sup>
State Department of Health		
Ground water testing (1999 HB 1004, 2001 SB 2004)	200,000	200,000
Agricultural Experiment Station		
Chemical storage expenditures (1999 HB 1021)	90,000	
Total estimated expenditures	\$2,495,898	\$3,291,815
Estimated ending balance	\$928,352	\$136,437

<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. This increase was estimated by the 1999 Legislative Assembly to generate \$400,000, resulting in \$2.4 million total estimated revenues to be deposited in the environment and rangeland protection fund. The increase of \$323,000 as compared to the 1999 Legislative Assembly estimated revenues is due to a higher number of products registered than previously anticipated.

<sup>2</sup> This amount is transferred to the minor use pesticide fund and appropriated to the Agriculture Commissioner, on behalf of the Pesticide Control Board, on a continuing basis.

<sup>3</sup> The 2001 Legislative Assembly approved House Bill No. 1009 which extended 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.

<sup>4</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 consist of the following:

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 consist of the following:

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>5</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. 2001 House Bill No. 1328 changed the control of the minor use pesticide fund from the Agriculture Commissioner to the Crop Protection Product Harmonization and Registration Board.

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 1999-2001 biennium and 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 FIRE AND TORNADO FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$16,558,658	\$14,751,996
Add estimated revenues		
Premium collections	\$6,630,000	\$6,650,000
Investment income	1,305,000	2,610,000
Boiler inspection fees	275,000	280,000
Insurance recoveries	2,100,000	1,000,000
Loss claims recovery	150,000	250,000
Other	8,000	5,000
Total estimated revenues	10,468,000	10,795,000
Total available	\$27,026,658	\$25,546,996
Less estimated expenditures		
Loss claims payments	\$9,850,000	\$8,500,000
1997 Red River Valley flood loss claims payments	270,000	150,000
Insurance Department - Administration (1999 SB 2010, 2001 HB 1010)	831,145	831,145
State Fire Marshal program (1999 SB 2003, 2001 HB 1003)	385,517	385,143
Firemen's Association grants (1999 SB 2015, 2001 HB 1015)	63,000	126,000
Claims-related payments	875,000	900,000
Total estimated expenditures	12,274,662	10,892,288
Estimated ending balance	\$14,751,996	\$14,654,708

**NOTE:** 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 1999-2001 AND 2001-03 BIENNIUMS**

	<b>1999-2001 Biennium</b>	<b>2001-03 Biennium</b>
Beginning balance	\$5,983,091	\$10,630,441
Add estimated revenues		
Oil extraction tax allocations	\$4,647,350	\$4,444,573
Total available	\$10,630,441	\$15,075,014
Less estimated expenditures		
Transfer to foundation aid program	\$0 <sup>1</sup>	\$0 <sup>1</sup>
Estimated ending balance	\$10,630,441	\$15,075,014

<sup>1</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 revenue shortfall is currently anticipated for the 1999-2001 or 2001-03 biennium.

**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 moneys 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 1999-2001 biennium, through May 31, 2001, \$606,340 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 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0	\$38,632,261
Add estimated revenues		
1998 government nursing facility funding pool payment (April 2000)	\$25,902,739	
1999 government nursing facility funding pool payment (September 2000)	17,340,685	
2000 government nursing facility funding pool payment (July 2001)		\$15,141,604
2001 government nursing facility funding pool payment (July 2002)		11,754,986
Investment earnings	1,949,798	6,758,207
Loan repayments - Principal and interest	27,369	841,967
Total estimated revenues	45,220,591	34,496,764
Total available	\$45,220,591	\$73,129,025
Less estimated expenditures		
Department of Human Services		
Grants and loans - 1999-2001 biennium (1999 SB 2168)	\$1,463,853	
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
Additional 1999-2001 biennium transaction fee - Dunseith and McVillev (2001 HB 1196)	800,000	
Service payments for elderly and disabled (SPED) (1999 SB 2012, 2001 HB 1196)	4,262,410	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

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	
Statewide long-term care needs assessment (2001 HB 1196)		241,006	
Administrative costs (1999 SB 2012, 2001 HB 1196)	60,382	71,158	
Bank of North Dakota administrative fee (continuing appropriation)	<u>1,685</u>	<u>79,615</u>	
Total estimated expenditures		<u>\$6,588,330</u>	<u>\$37,495,917</u>
Estimated ending balance		<u>\$38,632,261</u>	<u>\$35,633,108<sup>1</sup></u>

**NOTE:** 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 moneys 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. Moneys are 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. Moneys in the fund are 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 will be made in July 2004.

<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.

**ANALYSIS OF THE LANDS AND MINERALS TRUST FUND  
FOR THE 1999-2001 AND 2001-03 BIENNIUMS**

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$1,939,481	\$1,780,651
Add estimated revenues		
Production royalties	\$2,629,011	\$2,174,944
Mineral leases	126,556	120,000
Oil and gas bonuses	219,919	109,960
Investment earnings	361,013	163,113
Loan repayments from facilities providing services to the developmentally disabled (1983 SB 2020; 1985 SB 2249)	1,399,218	1,496,000
	<hr/>	<hr/>
Total estimated revenues	<u>4,735,717</u>	<u>4,064,017</u>
Total available	\$6,675,198	\$5,844,668
Less estimated expenditures and transfers		
Payments to common schools trust fund - DD loan fund Nos. 2 and 3 (1999 SB 2012; 2001 HB 1012)	\$1,489,745 <sup>\1</sup>	\$2,077,969 <sup>\2</sup>
Industrial Commission - Oil and Gas Division	237,515	
Transfer to the general fund (1999 SB 2015; 2001 HB 1015 )	3,000,000	3,545,102
Administrative costs/other fees	167,287	167,084
	<hr/>	<hr/>
Total estimated expenditures and transfers	<u>4,894,547</u>	<u>5,790,155</u>
Estimated ending balance	<u><u>\$1,780,651</u></u>	<u><u>\$54,513</u></u>

<sup>\1</sup> Payments to common schools trust fund - 1999-2001 biennium - Senate Bill No. 2012 (1999) provided an appropriation of \$1,840,956 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 the developmentally disabled loan fund program Nos. 2 and 3. However, because the department in 2001 will be making the payment in July rather than June, only

three rather than four payments will be made during the 1999-2001 biennium. As a result, the Land Department estimates that for the 1999-2001 biennium only \$1,489,745 will be required to make the loan payments to the common schools trust fund.

- 12 Payments to common schools trust fund - 2001-03 biennium - Senate 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 the developmentally disabled loan fund program 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.

### **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 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$9,739,857	\$11,622,382
Add estimated revenues		
Separate two-cent coal severance tax	\$1,239,148	\$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)	3,485,164	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)	1,393,980	1,350,000
Investment income on Dakota Gasification Company ammonia plant project	316,260	1,000,000
Interest income	789,669	360,000
Total estimated revenues	7,224,221	7,285,000
Total available	\$16,964,078	\$18,907,382
Less estimated expenditures		
Lignite marketing feasibility study	\$795,800	\$1,300,000
Administration and development of the lignite research, development, and marketing program (includes funding for clean coal demonstration projects and bond payments)	4,545,896 <sup>1</sup>	15,150,000 <sup>1,2</sup>
Total estimated expenditures	5,341,696	16,450,000 <sup>3</sup>
Ending balance	\$11,622,382	\$2,457,382

**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.

<sup>1</sup> The Industrial Commission has a policy stating 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>2</sup> The Industrial Commission has waived the fund allocation policy and has committed \$20 million through the 2007-09 biennium with \$5,931,210 anticipated to be spent 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.

<sup>3</sup> The 2001 Legislative Assembly appropriated \$16,450,000 for lignite research grants; however, at the present time the Industrial Commission anticipates spending approximately \$12.6 million for lignite research grants during the 2001-03 biennium. If the level of spending is \$12.6 million, the ending balance may be \$6.3 million.

## ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0 <sup>1</sup>	\$12,335,840
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	\$12,335,840	\$9,152,595
Total estimated revenues	12,335,840 <sup>2</sup>	9,152,595 <sup>4</sup>
Total available	\$12,335,840	\$21,488,435
Less estimated expenditures	0 <sup>3</sup>	0 <sup>3</sup>
Estimated ending balance	\$12,335,840	\$21,488,435

**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 \$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.

<sup>1</sup> Beginning balance - July 1, 1999 - The general fund revenues derived from oil and gas production taxes and oil extraction taxes totaled \$43,676,727 for the 1997-99 biennium. Since revenues did not exceed the \$62 million statutory limit, no funds were transferred into the permanent oil tax trust fund on June 30, 1999.

<sup>2</sup> Estimated revenues - 1999-2001 - The revised revenue estimate for the 1999-2001 biennium projects oil and gas production tax and oil extraction tax revenues deposited in the general fund to exceed \$62 million by \$12,335,840. Therefore, there is a projected transfer of \$12,335,840 to the permanent oil tax trust fund at the end of the biennium.

<sup>3</sup> Estimated 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.

<sup>4</sup> Estimated revenues - 2001-03 - The revenue forecast for the 2001-03 biennium projects sufficient oil and gas production tax and oil extraction tax revenues to transfer \$9,152,595 into the permanent oil tax trust fund.

## ANALYSIS OF THE RESOURCES TRUST FUND 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$6,733,283	\$14,300,000
Add estimated revenues		
Oil extraction tax collections	\$9,263,686	\$8,846,808
Repayments and reimbursements	2,365,903	1,804,439
Investment earnings/miscellaneous	936,289	368,356
Total estimated revenues	12,565,878	11,019,603
Total available	\$19,299,161	\$25,319,603
Less estimated expenditures		
State Water Commission		
Grants and administration (2001 HB 1023)	2,699,161	21,718,031 <sup>3</sup>
Capital construction carryover from the 1997-99 biennium	2,300,000 <sup>1</sup>	
Total estimated expenditures	4,999,161	21,718,031
Ending balance	\$14,300,000 <sup>2</sup>	\$3,601,572

**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.

<sup>1</sup> Capital construction carryover - 1999-2001 - The State Water Commission had \$2.3 million of unexpended 1997-99 biennium appropriation authority carried over to the 1999-2001 biennium for various water projects.

<sup>2</sup> Ending balance - 1999-2001 - The estimated June 30, 2001, ending balance is anticipated to include approximately \$10.3 million of obligations for the following projects:

Maple River Dam	\$3,500,000
Nesson Valley irrigation	1,300,000
Elk Charbon irrigation	1,000,000
Miscellaneous water projects	<u>4,500,000</u>
Total	<u>\$10,300,000</u>

<sup>3</sup> Estimated expenditures - 2001-03 - House Bill No. 1023 (2001) 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.

## ANALYSIS OF THE RISK MANAGEMENT FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$6,653,971	\$2,154,397
Add estimated revenues		
Premiums	\$0 <sup>1</sup>	\$3,746,984 <sup>2</sup>
Investment income	275,000	212,206
Total estimated revenues	275,000	3,959,190
Total available	\$6,928,971	\$6,113,587
Less estimated expenditures		
Administration - 1999 SB 2015, 2001 HB 1015	\$967,077	\$1,041,067
Claims-related expenses - Continuing appropriation	1,921,497	2,189,772
Claims and litigation	1,886,000	2,331,000
Total estimated expenditures	4,774,574	5,561,839
Estimated ending balance	\$2,154,397	\$551,748

**NOTE:** 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.

<sup>1</sup> No risk management premiums were assessed to agencies and institutions due to a 1998 actuarial review of the fund which determined that fund reserves were sufficient to administer and pay claims anticipated in the 1999-2001 biennium.

<sup>2</sup> In response to an actuarial review completed by Aon Risk Services during 2000, the Risk Management Division has determined to assess a total of \$3,746,984 in risk management premiums to state agencies, boards and commissions, and the North Dakota University System for the 2001-03 biennium.

## ANALYSIS OF THE STATE AID DISTRIBUTION FUND 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0	\$0
Add estimated receipts		
Sales, use, and motor vehicle excise taxes (based on 4/10 of 1%)	63,203,392	65,846,609
Total available	\$63,203,392	\$65,846,609
Less estimated expenditures		
Payments to political subdivisions		
County share (53.7%)	\$33,940,222	\$35,359,629
City share (46.3%)	29,263,170	30,486,980
Total estimated expenditures	63,203,392	65,846,609
Ending balance	\$0	\$0

**NOTE:** The amounts shown above reflect the 1999-2001 revenue forecast and the 2001-03 revenue forecast as approved by the 2001 Legislative Assembly.

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 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0	\$0
Add estimated revenues		
Tobacco settlement revenues collected to date	\$52,879,507 <sup>1</sup>	
Projected tobacco settlement revenues		\$53,072,885
Total estimated revenues	52,879,507 <sup>2</sup>	53,072,885 <sup>2</sup>
Total available	\$52,879,507	\$53,072,885
Less estimated expenditures and transfers		
Transfers to the community health trust fund (10%)	\$5,287,951	\$5,307,289
Transfers to the common schools trust fund (45%)	23,795,778	23,882,798
Transfers to the water development trust fund (45%)	23,795,778	23,882,798
Total estimated expenditures and transfers	52,879,507 <sup>3</sup>	53,072,885
Estimated ending balance	\$0	\$0

<sup>1</sup> As of April 2001, nine tobacco settlement payments have been received by the state totaling \$52,879,507.

<sup>2</sup> Estimated revenues - 1999 House Bill No. 1475 (North Dakota Century Code (NDCC) Section 54-27-25) provides that interest on the moneys 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 moneys 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 1999-2001 biennium were estimated to be \$57,593,770 at the end of the 1999 legislative session. The decrease in the estimated amount of tobacco settlement revenues for the biennium of \$4,714,263 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.

### 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, including interest, must be transferred as follows, within 30 days of their 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 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 NDCC Section 61-02.1-04. 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 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

## ANALYSIS OF THE STATE TUITION FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$912,842 <sup>1</sup>	\$630,000 <sup>1</sup>
Add estimated revenues		
Fines for violation of state laws	\$8,656,756 <sup>2</sup>	\$9,446,025 <sup>2</sup>
Transfers from the common schools trust fund	47,550,000	57,793,000
Total estimated revenues	56,206,756	67,239,025
Total available	\$57,119,598	\$67,869,025
Less estimated expenditures		
Tuition payments to schools	56,489,598 <sup>3</sup>	67,081,850 <sup>3</sup>
Estimated ending balance	\$630,000 <sup>1</sup>	\$787,175 <sup>1</sup>

<sup>1</sup> Beginning/ending balance - North Dakota Century Code (NDCC) Section 15.1-28-03 provides for the distribution of moneys in the state tuition fund in August, October, December, February, 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.

<sup>2</sup> Fines for violation of state laws - The amount of state tuition fund distributions from fines proceeds has increased significantly in recent years. However, as shown below, the estimates used for fiscal years 2002 and 2003 are approximately \$500,000 per year higher than actual fiscal year 2001 distributions.

Fiscal Year	Fines Revenue Distributions	Percentage Increase From Previous Year
1998	\$3,104,108 (actual)	
1999	\$3,796,889 (actual)	22.3%
2000	\$4,723,312 (actual)	24.4%
2001	\$4,216,285 (actual)	(10.7%)
2002	\$4,723,000 (estimate) <sup>a</sup>	12.0%
2003	\$4,723,025 (estimate) <sup>a</sup>	0.0%

<sup>a</sup> The estimated amounts were calculated by the Office of Management and Budget and used in developing the executive recommendation for 2001-03 biennium distributions from the state tuition fund. The 2001 Legislative Assembly did not change the executive recommendation.

<sup>3</sup> Tuition payments - Tuition fund payments for the 1999-2001 biennium are currently estimated to be approximately \$3 million more than the amount appropriated. Section 2 of 1999 Senate Bill No. 2013 appropriates to the Department of Public Instruction any additional moneys that become available in the state tuition fund. 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. Actual and estimated census unit payments are shown below for fiscal years 1998 through 2003:

<b>Fiscal year</b>	<b>Tuition Fund Payments Per Census Unit</b>	<b>Percentage Increase From Previous Year</b>
1998	\$216 (actual)	
1999	\$223 (actual)	3.2%
2000	\$248 (actual)	11.2%
2001	\$244 (actual)	(1.6%)
2002	\$300 (estimate)	23.0%
2003	\$300 (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 changed little 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 consist 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 directs the Office of Management and Budget, on or before the third Monday in February, April, August, October, 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 moneys in the fund among the school districts in the state.

## ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$4,388,548	\$4,259,533
Add estimated revenues		
Investment income	\$390,253	\$372,800
Total estimated revenues	390,253	372,800
Total available	\$4,778,801	\$4,632,333
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	\$200,000
Veterans Cemetery	105,000	
Salaries and rent	59,003	60,051
Veterans' World War II memorial	15,790	
Veterans' Women in Military memorial	5,000	
Veterans Home gazebo	48,400	
Veterans Home activities	15,000	
Vehicles - Vans	49,000	
Other veterans' programs	15,075	6,000
Board travel	7,000	7,000
Total estimated expenditures	519,268	273,051
Estimated ending balance	\$4,259,533	\$4,359,282

**NOTE:** The principal balance of the fund is \$4,101,849, leaving an estimated available investment income balance of \$157,684 as of June 30, 2001, and \$257,433 as of June 30, 2003.

### 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 1999-2001 AND 2001-03 BIENNIUMS

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0	\$23,795,778
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$23,795,778 <sup>1</sup>	
Projected transfers from tobacco settlement trust fund		\$23,882,798
	23,795,778 <sup>2</sup>	23,882,798 <sup>2</sup>
Total estimated revenues		
Total available	\$23,795,778	\$47,678,576
Less estimated expenditures		
Transfer to the general fund (2001 HB 1023)		\$9,733,820 <sup>4</sup>
State Water Commission		
Bond payments (2001 HB 1023)		8,636,398
Water development projects (2001 HB 1023)		28,995,286 <sup>5</sup>
Section 404 of the Clean Water Act (2001 SB 2285)		800,000
State Department of Health		
Total maximum daily load and pollution control plans (2001 SB 2004)		99,756
	0 <sup>3</sup>	48,265,260 <sup>6</sup>
Total estimated expenditures		
Estimated ending balance	\$23,795,778	(\$586,684) <sup>7</sup>

<sup>1</sup> As of April 2001, nine transfers have been made from the tobacco settlement trust fund totaling \$23,795,778.

<sup>2</sup> Estimated revenues - Interest earned on the water development trust fund is not retained in the fund but deposited in the state general fund.

<sup>3</sup> Estimated expenditures - House Bill No. 1475 (1999) provides that moneys in the water development trust fund are to be used to address the long-term water development and management needs of the state. Senate Bill No. 2188 (1999) provides that bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake are to be repaid from moneys in the water development trust fund, as appropriated by the Legislative Assembly. The 1999 Legislative Assembly did not appropriate any funds from the water development trust fund for repayment of bond principal and interest; however, the Legislative Assembly did appropriate \$84.8 million from the water development trust fund for the purpose of repaying the line of credit extended by the Bank of North Dakota for interim financing. Approximately \$1.1 million for the Southwest Pipeline Project was drawn on the \$84.8 million line of credit. The funds were repaid with proceeds from the March 2000 bond sales, which will provide \$23 million for the flood control project in Grand Forks and \$4.5 million for the Southwest Pipeline Project. If necessary, a portion of the Grand Forks allocation may be used for the Wahpeton flood control project, depending on timing. The first payment of principal and interest accrued for the bonds is scheduled to be made in the 2001-03 biennium.

<sup>4</sup> Transfer to general fund - House Bill No. 1023 (2001) transfers \$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>5</sup> 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 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 water development projects for the 2001-03 biennium. This includes \$31.5 million of carryover projects from 1999 Senate Bill No. 2188. 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>7</sup> If adequate moneys are 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 (NDCC) 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 moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their 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 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 NDCC Section 61-02.1-04. 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 deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 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 moneys appropriated from the water development trust fund.