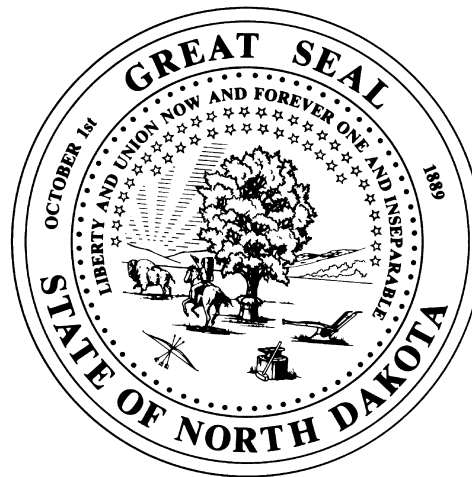


**ANALYSIS OF MAJOR SPECIAL FUNDS  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
REFLECTING LEGISLATIVE ACTION  
THROUGH APRIL 10, 2017**



Prepared by the  
North Dakota Legislative Council Staff  
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**ANALYSIS OF THE ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$11,538,380		\$15,163,380
Add estimated revenues				
Fees, forfeitures, transfers, and recoveries penalties <sup>1</sup>	\$1,250,000		\$1,250,000	
Oil and gas tax collections <sup>2,3</sup>	10,200,000		8,430,000	
Total estimated revenues		11,450,000		9,680,000
Total available		\$22,988,380		\$24,843,380
Less estimated expenditures and transfers				
Reclamation of well sites placed into service after July 31, 1983	\$3,500,000		\$3,500,000	
Reclamation of well sites placed into service on or before July 31, 1983 (2015 HB 1358; 2017 HB 1347)	1,500,000		5,000,000	
Transfer to the oil and gas research fund for an oil and produced water pipeline study (2015 HB 1358)	1,500,000			
Transfer to the oil and gas research fund for a contaminated site remediation pilot project (2015 HB 1358)	500,000			
Transfer to the environmental quality restoration fund (2015 SB 2190) <sup>4</sup>	400,000		400,000	
Brine pond and soil remediation studies (2017 HB 1347)			5,000,000	
Pipeline restoration and reclamation oversight program - Agriculture Commissioner (2015 SB 2271; 2017 HB 1009) <sup>5</sup>	400,000		200,000	
Miscellaneous <sup>6</sup>	25,000		25,000	
Total estimated expenditures and transfers		7,825,000		14,125,000
Estimated ending balance		<u>\$15,163,380</u>		<u>\$10,718,380</u>

<sup>1</sup>Revenues to the fund include:

- Fees collected by the Oil and Gas Division of the Industrial Commission for permits or other services;
- Funds received from the forfeiture of drilling and reclamation bonds;
- Funds received from any federal agency or from donations related to well plugging and site reclamation;
- Transfers or grant awards from the oil and gas impact fund; and
- Funds recovered from the sale of confiscated equipment and oil and from certain civil penalties.

<sup>2</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast.

<sup>3</sup>In House Bill No. 1032, the 2015 Legislative Assembly increased the oil and gas tax allocation to the fund by \$2.5 million per fiscal year, from \$5 million to \$7.5 million, and increased the allocation limit from an amount that would bring the balance of the fund over \$75 million to an amount that would bring the balance of the fund over \$100 million. These changes are contingent upon the "large" trigger not being in effect at any time during the first 6 months of the 2015-17 biennium. The contingency was met, which allows the allocation limit and the fund balance limit to increase.

<sup>4</sup>As of February 1, 2017, the State Department of Health has not requested any transfers for the environmental quality restoration fund. North Dakota Century Code Section 38-08-04.5 allows for transfers from the abandoned oil and gas well plugging and site reclamation fund with the requirement that any transfers into the environmental quality restoration fund will be returned by the State Department of Health to the abandoned oil and gas well plugging and site reclamation fund.

<sup>5</sup>As of February 1, 2017, the Agriculture Department has requested and received \$132,321 of the \$400,000 authorized in 2015 Senate Bill No. 2271.

<sup>6</sup>Miscellaneous expenditures include credit card merchant fees and audit fees.

#### **FUND HISTORY**

The fund was established in 1983 under Section 38-08-04.5. The purpose of the fund is to defray the costs of plugging or replugging oil wells, the reclamation of well sites, and all other related activities for wells or pipelines. The money in the fund may be spent, pursuant to a continuing appropriation, for contracting for the plugging of abandoned wells; contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads; paying mineral owners their royalty share of confiscated oil; and paying any contract-related expenses. The Industrial Commission is to report to the Budget Section each biennium on the expenditures of the fund and the fund balance.

**ANALYSIS OF THE BONDING FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$3,419,583		\$3,470,583
Add revenues				
Investment income	\$160,000		\$165,000	
State bonding fund claims collections	65,000		55,000	
Game and fish bonds	3,000		3,000	
Total revenues		228,000		223,000
Total available		\$3,647,583		\$3,693,583
Less expenditures and transfers				
Claim liabilities/payments/write-offs	\$110,000		\$130,000	
Claims related expenses	10,000		15,000	
Investment expense	7,000		7,000	
Administration	50,000		52,000	
Total expenditures and transfers		177,000		204,000
Ending balance		<u>\$3,470,583</u>		<u>\$3,489,583</u>

**FUND HISTORY**

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

## ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$572,485,454		\$0
Add estimated revenues				
Investment income	\$0 <sup>1</sup>		\$0 <sup>1</sup>	
Transfer from general fund	0 <sup>2</sup>		0 <sup>2</sup>	
Oil and gas tax allocations	0		100,000,000 <sup>4</sup>	
Total estimated revenues		\$0		\$100,000,000
Total available		\$572,485,454		\$100,000,000
Less estimated expenditures and transfers				
Transfer to general fund	\$572,485,454 <sup>3</sup>		\$0	
Total estimated expenditures and transfers		\$572,485,454		\$0
Estimated ending balance		\$0		\$100,000,000

<sup>1</sup>Interest earnings are retained in the fund unless the balance of the fund is at the maximum amount allowed under North Dakota Century Code Section 54-27.2-01. The amounts shown assume no interest will be retained in the fund. However, depending on the timing of proposed transfers during the 2015-17 biennium, and the timing of oil and gas tax collection deposits in the 2017-19 biennium, there may be interest earnings retained in the fund.

<sup>2</sup>Chapter 54-27.2 provides any amount in the general fund at the end of a biennium in excess of \$65 million must be transferred to the budget stabilization fund, except that the balance in the budget stabilization fund may not exceed 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. Based on legislative action through crossover, the general fund balance will not exceed \$65 million at the end of the 2015-17 biennium.

<sup>3</sup>Section 3 of 2015 Senate Bill No. 2379, as approved by the Legislative Assembly during the August 2016 special legislative session, authorizes the Director of the Office of Management and Budget to transfer up to \$572,485,452 from the budget stabilization fund to the general fund to provide for a positive balance in the general fund on June 30, 2017. The entire amount is anticipated to be transferred.

<sup>4</sup>House Bill No. 1152 (2017) provides for the deposit of an estimated \$100 million of the state share of oil and gas tax collections into the budget stabilization fund.

**NOTE:** House Bill No. 1155 (2017) increases the maximum balance allowed in the budget stabilization fund from 9.5 to 15 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The bill also adjusts the use of the budget stabilization fund in the event of a general fund revenue shortfall by providing an order in which general fund allotments and transfers from the budget stabilization fund are to be used.

### FUND HISTORY

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

- Section 54-27.2-01 establishes the budget stabilization fund and provides any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section currently provides any money in the fund in excess of 9.5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly must be deposited in the general fund. The 2011 Legislative Assembly approved House Bill No. 1451, which decreased, effective July 1, 2011, the maximum balance allowed in the fund from 10 to 9.5 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides any amount in the general fund at the end of a biennium in excess of \$65 million must be transferred to the budget stabilization fund.

- Section 54-27.2-03 provides the Governor may order a transfer from the budget stabilization fund to the general fund if the Director of the Office of Management and Budget projects general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.

**ANALYSIS OF THE CAPITOL BUILDING FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)<sup>1</sup>**

	2015-17 Biennium Estimated		2017-19 Biennium Estimated	
Beginning balance		\$5,903,878		\$2,448,041
Add revenues				
Investment income	\$161,741		\$100,000	
Governor's residence fundraising	1,000,000			
Rentals, royalties, and bonuses	2,370,167		1,907,661	
Total revenues		3,531,908		2,007,661
Total available		\$9,435,786		\$4,455,702
Less expenditures and transfers				
Administrative expenses	\$70,843		\$84,000	
Income payments to counties	6,902 <sup>2</sup>		7,266 <sup>2</sup>	
Capitol Grounds Planning Commission continuing appropriation (North Dakota Century Code Section 49-10-02 <sup>3</sup> )	175,000		175,000	
Capitol Grounds Planning Commission operating expenses (2017 HB 1015)	25,000		25,000	
Office of Management and Budget Capitol projects (2015 SB 2015)	1,710,000 <sup>4</sup>			
Governor's residence (2015 SB 2304)	5,000,000 <sup>5</sup>			
Total expenditures and transfers		6,987,745		291,266
Ending balance		<u>\$2,448,041</u>		<u>\$4,164,436</u>

<sup>1</sup>The analysis reflects the legislative appropriations for the 2015-17 biennium and 2017-19 biennium and does not include the land owned by the fund.

<sup>2</sup>Section 15-04-23 provides 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 payments. 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.

<sup>3</sup>Section 48-10-02 provides a continuing appropriation to the Capitol Grounds Planning Commission to spend up to \$175,000 per biennium of income and interest of the Capitol building fund. The amount that may be spent may not exceed 50 percent of the unencumbered balance of the fund on the first day of the biennium.

<sup>4</sup>Funding of \$1.71 million was appropriated from the Capitol building fund by the 2015 Legislative Assembly in Senate Bill No. 2015, of which \$1.4 million is for Capitol building entrance and signage projects, and \$310,000 is for electrical and ceiling repairs in the legislative wing.

<sup>5</sup>Funding of \$4 million was appropriated from the Capitol building fund by the 2015 Legislative Assembly in Senate Bill No. 2304, for the demolition of the existing Governor's residence and the construction of a new residence. The bill also included an appropriation of \$1 million from private donations for a total appropriation of \$5 million for the project.



**ANALYSIS OF THE CENTERS OF EXCELLENCE FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION AS OF APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance <sup>1</sup>		\$8,226,692		\$320,234
Add estimated revenues				
Investment income	\$3,500		\$500	
Total estimated revenues		3,500		500
Total available		\$8,230,192		\$320,734
Less estimated expenditures and transfers				
Administrative expenses <sup>2</sup>	\$30,000		\$20,000	
Centers of excellence grants funding distributions	229,958		279,957	
Transfer to research North Dakota fund <sup>3</sup>	7,650,000			
Total estimated expenditures and transfers		7,909,958		299,957
Estimated ending balance <sup>4</sup>		\$320,234		\$20,777

<sup>1</sup>The 2009 Legislative Assembly provided \$31,070,541 for the centers of excellence fund, including a transfer of \$15 million from the general fund, a contingent transfer of \$5 million from the general fund, a transfer of \$4.45 million from the general fund related to centers of excellence grants awarded but not distributed, and \$6,620,541 from the permanent oil tax trust fund related to unexpended 2007-09 biennium centers of excellence funding.

<sup>2</sup>North Dakota Century Code Section 15-69-05(6), as amended by the Legislative Assembly in 2011 Senate Bill No. 2057, authorized the Department of Commerce to use funds available within the centers of excellence fund for the department's administrative expenses.

<sup>3</sup>House Bill No. 1018 (2015) directs the Office of Management and Budget to transfer unobligated funds from the centers of excellence fund to the Research North Dakota fund. Unobligated funds of \$7.65 million in the centers of excellence fund were transferred to the Research North Dakota fund in January 2017.

<sup>4</sup>The 2015-17 biennium ending balance includes \$279,957 that is obligated for centers of excellence proposals approved in previous bienniums. The 2017-19 biennium ending balance includes no obligations for centers of excellence proposals approved in previous bienniums and \$20,777 that is obligated for future administrative expenses.

**FUND HISTORY**

Section 15-69-06 (2009 Senate Bill No. 2018) establishes a centers of excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of excellence program. Interest earned on money in the fund is retained in the fund. The Legislative Assemblies in 2011 and 2013 did not appropriate new funding to the centers of excellence fund for the 2011-13 or 2013-15 biennium. Estimated expenditures for the 2011-13 and 2013-15 bienniums relate to centers of excellence awarded in prior bienniums. Pursuant to provisions of 2011 Senate Bill No. 2057, the centers of excellence fund will be repealed on August 1, 2023.

**ANALYSIS OF THE CENTERS OF RESEARCH EXCELLENCE FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance <sup>1</sup>		\$3,708,133		\$1,638,869
Add estimated revenues				
Investment income	3,200		1,000	
Total estimated revenues		3,200		1,000
Total available		\$3,711,333		\$1,639,869
Less estimated expenditures and transfers				
Limited deployment-cooperative airspace project grant				
University of North Dakota (UND) <sup>2</sup>				
North Dakota State University (NDSU) <sup>2</sup>				
Centers of research excellence grants				
UND <sup>3,4</sup>	\$192,500		\$1,379,166	
NDSU <sup>3</sup>	667,819			
Base realignment grants				
UND <sup>4</sup>	1,212,145			
Total estimated expenditures and transfers		2,072,464		1,379,166
Estimated ending balance <sup>5</sup>		\$1,638,869		\$260,703

<sup>1</sup>The 2011 Legislative Assembly appropriated \$12 million from the general fund for transfer to the centers of research excellence fund to provide funding for a limited deployment-cooperative airspace project grant, centers of research excellence grants, and base realignment grants for the 2011-13 biennium.

<sup>2</sup>The 2011 Legislative Assembly designated \$4 million of the \$12 million for grants to the North Dakota University System's research institutions for the purpose of leveraging private and federal funding to advance opportunities for a limited deployment-cooperative airspace project in the state during the 2011-13 biennium.

<sup>3</sup>In 2011 Senate Bill No. 2057, the Legislative Assembly designated \$8 million of the \$12 million for centers of research excellence grants. The Centers of Excellence Commission may not award centers of research excellence grants of more than \$4 million to one research university or nonprofit foundation related to that research university. The centers of research excellence program established by the Legislative Assembly in 2011 replaces the centers of excellence program with the following modifications:

- Removed the requirement for Budget Section or Emergency Commission approval and authorized the Centers of Excellence Commission to award grants.
- Removed tourism from the definition of an "industry cluster."
- Removed the requirement that research universities limit applications to two per round of funding and removed the requirement that the awarding process give consideration to a center's ability to become financially self-sustaining.
- Replaced the prior requirement of annual audits with the requirement for an audit of all funds distributed to the centers after the second full fiscal year, after all funds distributed to the centers have been expended, and for all other years during the postaward monitoring. The centers may contract with an independent accountant for an agreed-upon procedures engagement. Postaward monitoring lasts for no fewer than 6 years and no more than 10 years following the designation of a center for both the centers of excellence and the centers of research excellence programs.

- Provided a statement of legislative intent for the centers of research excellence program to be an ongoing program. (The centers of excellence program had an established expiration date.)

The amount of centers of research excellence grants awarded originally in the 2011-13 biennium totaled \$4,813,750. Of this amount, the Center for Life Science Research and Applications at NDSU was awarded \$1.35 million. However, the center has been closed by NDSU, resulting in \$1.1 million of grants becoming uncommitted, leaving a total of \$3,713,750 of centers of research excellence grants committed, as shown in the schedule below. As a result, the Centers of Excellence Commission opened a special base realignment grant round under North Dakota Century Code Section 54-65-04 during the 2015-17 biennium. In February 2017, the Department of Commerce awarded \$1,212,145 of grant funds to UND for base realignment grants.

NDSU	
Center for Life Sciences Research and Applications	\$250,000
Center for Technologically Innovative Processes and Products	320,000
Center for Technologically Innovative Processes and Products 2	1,011,250
Center for Biobased Materials Science and Technology	1,132,500
UND	
Center for Avian Therapeutics for Infectious Diseases	700,000
Center for Gas Utilization	300,000
<b>Total</b>	<b>\$3,713,750</b>

<sup>4</sup>Of the \$4 million available to UND through the centers of research excellence program from funds appropriated for the 2011-13 biennium, \$3 million was designated for Grand Forks base realignment grants. The purpose of the base realignment grants was to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base resulting from action by the federal Defense Base Closure and Realignment Commission and to enhance infrastructure and economic development projects or programs to accommodate growth near the Grand Forks Air Force Base. Any funds not committed within the first 18 months of the 2011-13 biennium are available for the centers of research excellence program. The amount of base realignment grants awarded originally totaled \$2,840,400. Due to NDSU closing the Center for Life Science Research and Applications, leaving centers of research excellence grants uncommitted, in February 2017 the Department of Commerce awarded an additional \$1,212,145 of grant funds to UND for base realignment grants during the 2015-17 biennium, resulting in a total amount of base realignment grants awarded of \$4,052,545:

UND	
Global Hawk sensor operator part task trainer	\$878,204
Joint Distributed Common Ground System	125,706
North Dakota Unmanned Aircraft Systems Airspace Initiative (Phase 2)	255,440
Airspace Integration Team - Unmanned Aircraft System National Test Site	500,000
Enhanced Use Lease for Grand Forks Air Force Base	921,050
Enhanced Use Lease Phase IV for Grand Forks Air Force Base	160,000
Beyond Visual Line of Sight Radar - Unmanned Aircraft System National Test Site	1,212,145
<b>Total</b>	<b>\$4,052,545</b>

<sup>5</sup>The 2015-17 biennium estimated ending balance includes \$1,379,166 of anticipated committed funds for centers of research excellence proposals approved in the 2011-13 biennium. There are no anticipated committed funds for centers of research excellence proposals approved in the 2011-13 biennium in the 2017-19 biennium estimated ending balance.

#### FUND HISTORY

Section 12 of 2011 Senate Bill No. 2057 established the centers of research excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of research excellence program. Interest earned on money in the fund is retained in the fund. The Legislative Assembly did not appropriate new funding to the centers of research excellence fund for the 2013-15 biennium or for the 2015-17 biennium. Estimated expenditures for the 2013-15 and 2015-17 bienniums relate to centers of research excellence grants awarded in prior bienniums.

**ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium <sup>1</sup>		2017-19 Biennium <sup>1</sup>	
Beginning balance		\$69,797		\$16,753
Add estimated revenues				
Investment income <sup>2</sup>	\$243,345		\$228,174	
School construction loan income <sup>2</sup>	1,621,318		1,500,000	
Total estimated revenues		1,864,663		1,728,174
Total available		\$1,934,460		\$1,744,927
Less estimated expenditures and transfers				
Investment expense	\$16,528		\$9,870	
Administrative expenses	6,382		6,400	
Transfer to the general fund <sup>2</sup>	1,894,797		1,700,000	
Total estimated expenditures and transfers		1,917,707		1,716,270
Estimated ending balance		\$16,753		\$28,657

<sup>1</sup>The beginning and ending balances do not include the value of permanent assets of the coal development trust fund, which must be maintained pursuant to North Dakota Century Code Section 57-62-02 and Section 21 of Article X of the Constitution of North Dakota. As of September 30, 2016, the total value of permanent fund assets was \$68.2 million, of which \$43.4 million was school construction loans receivable, \$13.2 million was coal impact loans receivable, and \$11.6 million was either cash or short-term investments. Of the \$11.6 million held in cash or short-term investments, \$6.4 million was committed to a school construction loan for the Richardton-Taylor School District with the remaining \$5.2 million available for new loans.

<sup>2</sup>Section 57-62-02 and Section 21 of Article X 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 this 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.

In 2015 Senate Bill No. 2039, the Legislative Assembly created a new school construction assistance loan fund and identified the income from the coal development trust fund as income to the new fund. However, the income from the coal development trust fund will not be transferred to the school construction assistance loan fund because Section 57-62-02 and Section 21 of Article X of the Constitution of North Dakota require the income to be transferred to the general fund. The provisions to correct the transfer are included in 2017 Senate Bill Nos. 2101 and 2272.

**NOTE:** Senate Bill No. 2014 (2017) reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund. The coal severance tax allocations become part of the fund assets which are not reflected in the amounts shown in the table. Senate Bill No. 2272 (2017) amends Section 15.1-36-02 to make available up to \$60 million from the fund for loans of up to \$2 million for unanticipated school construction projects or emergency repairs.

**FUND HISTORY**

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

Section 57-62-02 provides 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides 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 the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million.

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) remains in the coal development trust fund to be used for the purposes provided in Section 57-62-02.

## ANALYSIS OF THE COMMON SCHOOLS TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

### ASSETS, DISTRIBUTIONS, AND INVESTMENT RETURNS FOR THE COMMON SCHOOLS TRUST FUND

The following is a summary of actual and estimated assets, distributions, and investment returns for the common schools trust fund for the 1997-99 through 2017-19 bienniums:

Biennium	Fiscal Year	Beginning Assets (Excluding Land and Minerals Values)	Distributions	Total Average Investment Return (Interest Income and Capital Gains)
1997-99	1998	\$400,689,879	\$23,200,000	13.57%
	1999	\$444,823,559	\$23,200,000	7.50%
1999-2001	2000	\$467,059,293	\$23,775,000	11.05%
	2001	\$521,509,978	\$23,775,000	2.03%
2001-03	2002	\$533,360,593	\$28,896,500	(1.34%)
	2003	\$522,905,814	\$28,896,500	4.57%
2003-05	2004	\$547,047,877	\$30,000,000	12.60%
	2005	\$614,738,548	\$30,000,000	8.58%
2005-07	2006	\$686,273,875	\$31,100,000	7.51%
	2007	\$761,901,287	\$31,100,000	12.82%
2007-09	2008	\$887,092,909	\$33,400,000	(4.22%)
	2009	\$908,928,685	\$33,400,000	(13.75%)
2009-11	2010	\$846,314,086	\$38,589,000	14.48%
	2011	\$1,221,501,801	\$38,589,000	17.99%
2011-13	2012	\$1,622,412,984	\$46,257,000	2.42%
	2013	\$1,917,135,220	\$46,257,000	10.65%
2013-15	2014	\$2,417,363,782	\$65,163,000	13.85%
	2015	\$3,128,315,233	\$65,163,000	.50%
2015-17	2016	\$3,437,988,002	\$103,067,000	(0.63%)
	2017	\$3,512,355,582	\$103,067,000	1
2017-19	2018	1	\$144,132,000	1
	2019	1	\$144,132,000	1

<sup>1</sup>Section 2 of Article IX of the Constitution of North Dakota was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. The amendment became effective July 1, 2009, and distributions are no longer based on interest and income earned by the fund. Distributions from the common schools trust fund are now based on a percentage of the 5-year average value of trust assets, excluding the value of lands and minerals. Therefore, the Board of University and School Lands does not project asset values, income, or investment return because it is no longer relevant to the calculation of distribution amounts. **The unaudited fund balance of the common schools trust fund was \$3,673,855,714 as of December 31, 2016.**

## **MONEY DEPOSITED IN THE COMMON SCHOOLS TRUST FUND**

### **Select Constitutional Provisions**

#### **Article IX, Section 1**

This section provides that the following money must be deposited in a permanent trust fund, known as the common schools trust fund, and used to support the common schools of the state:

- All proceeds relating to public lands granted to the state by the federal government for the support of the common schools.
- All proceeds relating to property acquired by the state through escheat (property reverting to the state in the absence of legal heirs).
- All gifts, donations, and other property acquired by the state for the support of the common schools.
- The proceeds of all bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands.

This section was included in the original Constitution of North Dakota enacted in 1889. In 1982 the section was amended to provide that bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands were to be deposited in the common schools trust fund. In 2006 Measure No. 1, approved by voters, removed the reference to bonuses related to leasing and provided that revenues earned by a perpetual trust fund must be deposited in the fund.

#### **Article IX, Section 5**

This section provides that in all sales of common schools lands, the state must retain the mineral interests. Leases may be executed for the extraction and sale of the minerals.

This section was included in the original Constitution of North Dakota enacted in 1889. As originally enacted, the section prohibited the sale of common schools lands that were "coal lands" and did not address other minerals. In 1960 the section was amended to its current form which allows the sale of lands containing minerals, but requires that the state retain the mineral interests. Minerals are defined to include oil, gas, coal, cement materials, sodium sulphate, sand and gravel, road material, building stone, chemical substances, metallic ores, uranium ores, and colloidal or other clays.

#### **Article X, Section 24**

This section provides that 10 percent of oil extraction tax revenue must be deposited in the common schools trust fund.

This section was enacted in 1994 through voter approval of Measure No. 1 (1993 Senate Concurrent Resolution No. 4011). In November 2016 voters approved 2015 Senate Concurrent Resolution No. 4003, which provided for a constitutional amendment to Section 24. The amendment allows the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes and simplifies other language in the section. However, the amendment does not change deposits to the fund or limit the balance in the common schools trust fund, which has not been changed since enactment.

### **Select North Dakota Century Code Provisions**

#### **Section 47-30.1-23**

This section provides that all funds received by the state under the Uniform Unclaimed Property Act, except amounts deducted for the payment of claims and certain administrative costs, must be deposited in the common schools trust fund.

#### **Section 54-27-25**

This section, which was enacted by the 1999 Legislative Assembly, creates a tobacco settlement trust fund to be used to deposit tobacco settlement money received by the state. Forty-five percent of the tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement and deposited in the tobacco settlement trust fund must be transferred to the common schools trust fund and become a part of the principal of the fund.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 related to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the common schools trust fund.

To date, \$180,657,304 of tobacco settlement money received by the state has been transferred to the common schools trust fund. The following is a summary of transfers to the common schools trust fund from the tobacco settlement trust fund, estimated based on actual revenues received through March 2017 and estimated revenues per the March 2017 legislative revenue forecast, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

1999-2001	\$23,805,353 (actual)
2001-03	\$23,998,745 (actual)
2003-05	\$20,977,123 (actual)
2005-07	\$19,722,653 (actual)
2007-09	\$27,672,929 (actual)
2009-11	\$18,248,834 (actual)
2011-13	\$18,108,052 (actual)
2013-15	\$19,003,716 (actual)
2015-17	\$18,119,900 (estimate)
2017-19	\$18,000,000 (estimate)
2019-25	\$70,880,172 (estimate)

## DISTRIBUTIONS FROM THE COMMON SCHOOLS TRUST FUND

### Select Constitutional Provisions

#### Article IX, Section 1

This section provides that revenues earned by the perpetual trust fund must be deposited in the fund, the costs of administering the fund may be paid out of the fund, and the perpetual trust funds must be managed to preserve their purchasing power and to maintain stable distributions to fund beneficiaries.

#### Article IX, Section 2

This section provides that payments to the common schools of the state include:

- Biennial distributions from each educational trust fund must be 10 percent of the 5-year average value of the trust assets, excluding the value of land and minerals. This section was amended in November 2006 through voter approval of Measure No. 1 (2005 House Concurrent Resolution No. 3037). The measure changed the way distributions from the common schools trust fund and other permanent educational trust funds are determined. Previously, distributions were based on the amount of interest and income earned by each trust during a fiscal year. The amendment became effective July 1, 2009, and distributions from the common schools trust fund for the 2009-11 biennium and all subsequent bienniums are based on the distribution formula.
- All fines for violation of state laws. (This money is not added to the trust fund, but is added to the distributions from the common schools trust fund and distributed to schools.)
- All other amounts provided by law.

This section was included in the original Constitution of North Dakota enacted in 1889. The original law contained the following two provisions that were removed through voter approval of Measure No. 3 in June 1982:

- Payments to the common schools must be distributed in proportion to the number of school-age children in each district.
- Any portion of the interest or income of the common schools trust fund not distributed during a fiscal year must be added to the permanent balance of the trust fund.



## **Select North Dakota Century Code Provisions**

### **Section 15-01-02**

This section provides that the Board of University and School Lands has full control of:

- The selection, appraisal, rental, sale, disposal, and management of common schools lands.
- The investment of any funds derived from the sale of common schools lands.
- The proceeds of any other property required by law to be used for the support of the common schools.

### **INVESTMENT OF THE COMMON SCHOOLS TRUST FUND**

Section 15-03-04 provides that the Board of University and School Lands is to apply the prudent investor rule in investing the permanent funds under its control, including the common schools trust fund. The prudent investor rule means that in making investments, the board is to exercise the same judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

## ANALYSIS OF THE COMMUNITY HEALTH TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$429,184		\$243,964
Add estimated revenues				
Transfers to date from the tobacco settlement trust fund	\$2,026,644 <sup>1</sup>		\$0	
Projected remaining transfers from the tobacco settlement trust fund	2,000,000 <sup>2</sup>		4,000,000 <sup>2</sup>	
Total estimated revenues		4,026,644 <sup>2</sup>		4,000,000 <sup>2</sup>
Total available		\$4,455,828		\$4,243,964
Less estimated expenditures and transfers				
State Department of Health (2015 HB 1004; 2017 SB 2004)				
Tobacco prevention and control, including the Tobacco Quitline and the tobacco cessation coordinator and operating expenses	\$3,440,864 <sup>3</sup>		\$3,200,000 <sup>3</sup>	
Women's Way program	400,000		329,500	
Behavioral Risk Factor State Survey	316,000		470,500	
State Department of Health - Dentists' loan repayment program funding to offset general fund budget reductions	55,000 <sup>4</sup>			
Total estimated expenditures and transfers		4,211,864		4,000,000
Estimated ending balance		\$243,964		\$243,964

<sup>1</sup>As of March 2017, \$2,026,644 has been transferred from the tobacco settlement trust fund for the 2015-17 biennium. Total transfers of \$40,146,068 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 general fund. Community health trust fund revenues have been estimated based on actual revenues received through March 2017 and legislative estimates for the 2017-19 biennium, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium did not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provided for a transfer of 45 percent of the revenue to the general fund. This recommendation requires statutory changes to North Dakota Century Code Section 54-27-25 and is not included in proposed legislation as of April 10, 2017. Therefore, the following are estimated allocations of tobacco settlement payments through 2025, as of April 10, 2015:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million <sup>1</sup>	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million <sup>1</sup>	N/A	\$0	18.0 million	18.0 million	4.0 million

Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$0	\$189.9 million	\$189.9 million	\$42.3 million

<sup>1</sup>This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

<sup>3</sup>Section 54-27-25 provides 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 an emphasis on preventing or reducing tobacco usage. The 2003 Legislative Assembly authorized the establishment of a telephone "Tobacco Quitline." The 2007 Legislative Assembly increased the funding for the Tobacco Quitline to provide nicotine replacement therapy and cessation counseling. The 2007 Legislative Assembly authorized 1 full-time equivalent tobacco prevention coordinator position and related funding for salaries and wages and operating expenses for the position. The 2015 Legislative Assembly did not approve direct funding for the Tobacco Quitline or the tobacco prevention coordinator position, but appropriated \$3,440,864 from the community health trust fund for tobacco prevention and control programs for the 2015-17 biennium. The department anticipates expending \$3,440,864 from the fund for the 2015-17 biennium. The Senate version of Senate Bill No. 2004 appropriates \$3.2 million from the community health trust fund to the department for tobacco prevention and control programs for the 2017-19 biennium. The House did not change the Senate version with regard to appropriations from the community health trust fund.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure also provides that 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. Based on estimated tobacco settlement trust fund transfers during the 2017-19 biennium, tobacco prevention and control expenditures from the community health trust fund are required to total approximately \$3.2 million. **Senate Bill No. 2004, as of April 10, 2017, includes amendments to Section 54-27-25 to remove the 80 percent restriction on transfers to the community health trust fund.**

<sup>4</sup>The dentists' loan repayment program, which is administered by the State Health Council, was established in 2001 Senate Bill No. 2276 (Chapter 43-28.1). The Legislative Assembly, in 2015 Senate Bill No. 2205, amended Chapter 43-28.1 related to the dental loan repayment program to remove the maximum number of dentists and to provide the council select dentists who will provide services in areas of defined need, including populated areas where there are public health needs. The dentists are eligible to receive funds, not to exceed a total of \$100,000 per applicant, for the repayment of their educational loans. The funds are payable over a 5-year period (\$20,000 per year). The 2015 Legislative Assembly provided \$540,000, of which \$180,000 is from the general fund and \$360,000 is from the student loan trust fund, for the dentists' loan repayment program during the 2015-17 biennium.

In addition, the 2009 Legislative Assembly approved Senate Bill No. 2358, which created Section 43-28.1-01.1 and provided an appropriation of \$180,000 from the general fund for a loan repayment program for dentists in public health and nonprofit dental clinics. In 2015 the Legislative Assembly repealed Section 43-28.1-01.1 and included dentists willing to serve in public health and nonprofit dental clinics in the same loan repayment program as dentists serving small communities. The 2015 Legislative Assembly approved \$180,000 from the general fund for the loan repayment program for dentists who practice in a public health setting or a nonprofit dental clinic that uses a sliding fee schedule to bill patients. This funding is in addition to \$540,000 provided for the dental loan repayment program. Senate Bill No. 2205 (2015) repealed Section 43-28.1-01.1 related to the loan repayment program for dentists in public health and nonprofit dental clinics and the \$180,000 from the general fund is available for the dental loan repayment program, as amended in the bill. Total funding available for the combined dental loan repayment program based on defined need was \$720,000, of which \$360,000 is from the general fund and \$360,000 is from the student loan trust fund. However, due to budget reductions approved by the Legislative Assembly in August 2016, the State Department of Health reduced funding from the general fund for the dental loan repayment program by \$355,000, of which \$55,000 was replaced with funding available in the community health trust fund. The adjusted appropriation for the dental loan repayment program provides \$420,000, of which \$5,000 is from the general fund, \$55,000 is from the community health trust fund, and \$360,000 is from the student loan trust fund.

Senate Bill No. 2004 includes \$600,000, of which \$240,000 is from the general fund and \$360,000 is from the student loan trust fund, for the dentists' loan repayment program, \$180,000 more than the adjusted 2015-17 biennium legislative appropriation. The House did not change the Senate version regarding funding for the dentists' loan repayment program.

## FUND HISTORY

Section 54-27-25 created by 1999 House Bill No. 1475 established the community health trust fund. 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 its deposit in the fund as follows:

- 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.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continues through 2017, will be deposited beginning in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides 80 percent of the funds allocated to the community health trust fund from the tobacco settlement trust fund be used for tobacco prevention and control. **Senate Bill No. 2004, as of April 10, 2017, includes amendments to Section 54-27-25 to remove the 80 percent restriction on transfers to the community health trust fund.**

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. Future tobacco settlement payments will be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25, as amended by the measure.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 related to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the community health trust fund.

**ANALYSIS OF THE STATE DISASTER RELIEF FUND FOR THE  
2011-13, 2013-15, 2015-17, AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2011-13 Biennium Actual		2013-15 Biennium Actual		2015-17 Biennium Estimated		2017-19 Biennium Estimated	
Beginning balance		\$34,675,167		\$77,651,986		\$75,867,942		\$33,623,161
Add revenues								
Transfer from the general fund	\$48,700,000 <sup>1</sup>							
Interest income	70,784		\$81,030		\$70,000		\$70,000	
Federal funds - Volunteer hours adjustment and local share federal-to-federal mission assignments	1,604,101							
Miscellaneous reimbursements	705,950		1,007,480		500,000		500,000	
Oil and gas tax collections	22,000,000 <sup>2</sup>		22,000,000 <sup>2</sup>		5,411,805 <sup>11</sup>		0 <sup>12</sup>	
Total revenues		73,080,835		23,088,510		5,981,805		570,000
Total available		\$107,756,002		\$100,740,496		\$81,849,747		\$34,193,161
Less estimated expenditures								
Disasters occurring prior to 2009	826,535 <sup>3</sup>		1,306,121 <sup>10</sup>					
2009 flooding	2,656,019 <sup>3</sup>		2,530,274 <sup>10,14</sup>		287,196 <sup>19</sup>		83,895 <sup>21</sup>	
January 2010 snowstorm	69,717 <sup>1</sup>		310,392 <sup>10,14</sup>					
2010 flooding	164,272 <sup>1</sup>		320,896 <sup>10,14</sup>		291,631 <sup>19</sup>		1,041,425 <sup>21</sup>	
April 2010 ice storm	544,138 <sup>1</sup>		565,976 <sup>10,14</sup>		102,560 <sup>19</sup>			
2011 flooding	12,261,836 <sup>1,4,5</sup>		7,430,968 <sup>10,14</sup>		7,080,465 <sup>19</sup>		5,822,122 <sup>21</sup>	
2011 ice storm			616,217 <sup>14</sup>		925 <sup>19</sup>			
Costs relating to flooding in incorporated cities	1,715,887 <sup>5</sup>		1,461,014 <sup>10</sup>					
Disaster response coordination contract	400,000 <sup>6</sup>		400,000 <sup>6</sup>		200,000 <sup>6</sup>			
State disasters and flood mitigation efforts (road grade raising projects)	7,240 <sup>5</sup>		91,986 <sup>10</sup>		2,562 <sup>19</sup>		100,000 <sup>21</sup>	
Housing rehab and retention	5,458,372 <sup>1</sup>		2,461,071 <sup>11</sup>					
Flood-impacted housing assistance grant program			1,500,000 <sup>8</sup>		1,088,468 <sup>19</sup>			
Road grade raising projects - Department of Transportation	6,000,000 <sup>1</sup>							
Disaster recovery planning and technical services			1,031,218 <sup>9</sup>		34,810 <sup>9</sup>			

Fargo interior flood protection			30,000,000 <sup>13</sup>		
Chronic flooding relief			2,000,000 <sup>14</sup>		
2013 Red River Valley flood		1,591,135 <sup>15</sup>	869,453 <sup>19</sup>	729,659 <sup>21</sup>	
2013 winter storm		36,116 <sup>15</sup>	156,685 <sup>19</sup>	717,283 <sup>21</sup>	
2014 rain storms		219,170 <sup>15</sup>	111,831 <sup>19</sup>	128,777 <sup>21</sup>	
Valley City flood protection		3,000,000 <sup>16</sup>			
Double Ditch site repairs			2,000,000 <sup>17</sup>		
Bismarck area flood protection			4,000,000 <sup>18</sup>		
Total estimated expenditures and transfers	30,104,016 <sup>7</sup>		24,872,554	48,226,586 <sup>20</sup>	8,623,161
Estimated ending balance	\$77,651,986		\$75,867,942	\$33,623,161	\$25,570,000

<sup>1</sup>Section 17 of 2011 Senate Bill No. 2371 provided the Office of Management and Budget transfer \$48.7 million from the general fund to the state disaster relief fund during the 2011-13 biennium for the following purposes:

Relief Assistance	Transfer Amount	Appropriation Authority
Disaster-related expenses	\$32,700,000	Section 15 of 2011 Senate Bill No. 2371 provided appropriation authority of \$29.5 million from the state disaster relief fund to the Adjutant General for providing the required state share of funding for expenses associated with presidentially declared state disasters. Section 16 of the bill provided a contingent appropriation of \$5 million from the state disaster relief fund to the Adjutant General relating to grants to political subdivisions for a portion of the local share required to match federal emergency relief funding.
Flood-impacted housing assistance grant program	10,000,000	Section 9 of Senate Bill No. 2371 appropriated \$10 million from the state disaster relief fund to the Adjutant General for providing additional rebuilders loan program funding to the Bank of North Dakota and funding to political subdivisions for flood-impacted housing rehabilitation.
Road grade raising grants	6,000,000	Section 14 of Senate Bill No. 2371 appropriated \$6 million from the state disaster relief fund to the Department of Transportation for grants to counties for road grade raising projects on federal aid-eligible roads.
Total	\$48,700,000	

<sup>2</sup>House Bill No. 1451 (2011) created North Dakota Century Code Section 57-51.1-07.5 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first \$2 million is deposited in the general fund;
- The next \$341.79 million is deposited in the property tax relief fund;
- The next \$100 million is deposited in the general fund;
- The next \$100 million is deposited in the strategic investment and improvements fund;
- The next \$22 million is deposited in the state disaster relief fund; and
- Any additional revenues are deposited in the strategic investment and improvements fund.

<sup>3</sup>Section 1 of 2011 Senate Bill No. 2016 included spending authority of \$7.8 million from the state disaster relief fund for expenses related to the 2009 flood disaster (\$3,369,258) and other unclosed state disasters (\$4,473,046) in the 2011-13 biennium.

<sup>4</sup>Section 5 of 2011 Senate Bill No. 2016 appropriated \$3.5 million from the state disaster relief fund to the Adjutant General for the purpose of providing the required state share of funding for defraying the expenses associated with presidentially declared disasters pursuant to Section 37-17.1-27.

<sup>5</sup>Section 4 of 2011 Senate Bill No. 2369 appropriated \$22 million from the state disaster relief fund for flood-related costs for the remainder of the 2009-11 biennium and for the 2011-13 biennium. Subject to Emergency Commission and Budget Section approval, the Adjutant General may use the funding for city flood mitigation projects (up to \$3.2 million) and for disaster relief relating to 2011 spring flooding, road grade raising projects, 50 percent of the local match for disasters occurring from January 2011 through June 2011, and state expenses associated with presidentially declared disasters in the state. In September 2011 the Adjutant General received Emergency Commission and Budget Section approval for 2011-13 expenses of \$17.5 million for flood disasters, \$1.2 million for funding specific city flood mitigation projects, and \$4.8 million for road grade raising and matching grants to political subdivisions.

<sup>6</sup>In 2011 Senate Bill No. 2016, the Legislative Assembly provided authority to the Department of Emergency Services to utilize \$400,000 from the state disaster relief fund to contract for services to coordinate disaster response organizations with state and political subdivision disaster response efforts, including all aspects of disaster recovery from preparedness training through cleanup for declared or undeclared disasters. House Bill No. 1016 (2013) continued the same level of funding for the 2013-15 biennium. Senate Bill No. 2016 (2015) provides a \$200,000 appropriation from the state disaster relief fund for disaster response coordination for the 2015-17 biennium.

<sup>7</sup>Total 2011-13 state disaster relief fund appropriation authority provided to the Adjutant General consists of:

\$22,000,000	see Footnote 5
3,500,000	see Footnote 4
7,842,304	see Footnote 3
400,000	see Footnote 6
<u>42,700,000</u>	see Footnote 1
\$76,442,304	

<sup>8</sup>Section 4 of 2013 House Bill No. 1016 appropriated \$1.5 million from the state disaster relief fund to the Housing Finance Agency to provide grants to counties, cities, local housing authorities, and other nonprofit entities providing flood-impacted housing assistance. The section required an entity requesting grant funding to certify to the Housing Finance Agency that housing occupants were eligible to receive housing assistance under federal Department of Housing and Urban Development guidelines, that a land use agreement was in place for temporary housing units, and that a plan had been developed for the disposal of temporary housing units. The Housing Finance Agency was to develop guidelines for the distribution of funds, including the frequency of the distribution of grant funds.

<sup>9</sup>The 2013-15 biennium legislative appropriations include funding of \$1.5 million for contracted services to provide technical assistance and support to state and local government agencies with emergency management needs associated with preparedness, mitigation, and response and recovery. Senate Bill No. 2016 (2015) provides funding of \$1 million for continuing the disaster recovery planning and technical assistance contracted services for the 2015-17 biennium.

<sup>10</sup>Section 1 of 2013 House Bill No. 1016 included spending authority of \$13.9 million from the state disaster relief fund for expenses related to unclosed state disasters in the 2013-15 biennium.

<sup>11</sup>This amount reflects estimated oil tax revenue allocations for the 2015-17 biennium based on the March 2017 legislative revenue forecast. House Bill No. 1377 (2015) amended Section 57-51.1-07.5 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first \$200 million is deposited in the general fund;
- The next \$300 million is deposited in the tax relief fund;
- The next \$100 million is deposited in the general fund;
- The next \$100 million is deposited in the strategic investment and improvements fund;

- The next \$22 million is deposited in the disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than \$25 million; and
- Any additional revenues:
  - 70 percent into the strategic investment and improvements fund; and
  - 30 percent into the political subdivision allocation fund.

<sup>12</sup>This amount reflects estimated oil tax revenue allocations for the 2017-19 biennium based on the March 2017 legislative revenue forecast. House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1 as follows:

- The first \$200 million is deposited in the general fund;
- The next \$300 million is deposited in the tax relief fund;
- The next \$100 million is deposited in the in the budget stabilization fund, but not in an amount that would bring the balance in the fund to more than the limit in Section 54-27.2-01;
- The next \$200 million is deposited in the general fund;
- The next \$15 million is deposited 80 percent in the strategic investment and improvements fund and 20 percent in the lignite research fund
- The next \$85 million is deposited in the strategic investment and improvements fund;
- The next \$20 million is deposited in the disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than \$20 million; and
- Any additional revenues are deposited in the strategic investment and improvements fund.

<sup>13</sup>Section 11 of 2015 Senate Bill No. 2020 appropriates \$30 million from the state disaster relief fund to the State Water Commission for flood protection projects within the city limits of Fargo.

<sup>14</sup>Section 3 of 2015 Senate Bill No. 2016 appropriates \$2 million from the state disaster relief fund to the Adjutant General to provide for repair and replacement of infrastructure and for removal of debris and other health hazards in organized service districts that are experiencing chronic flooding. The Adjutant General is required to consult with the Environmental Division of the State Department of Health regarding the process of environmental cleanup.

<sup>15</sup>Subdivision 9 of Section 1 of 2015 Senate Bill No. 2023 provides a deficiency appropriation of \$5 million from the state disaster relief fund for four disasters occurring in 2013 and 2014 (\$2.1 million) and for disasters occurring in 2009, 2010, and 2011 (\$2.9 million).

<sup>16</sup>Subdivision 6 of Section 1 of 2015 Senate Bill No. 2023 provides a deficiency appropriation of \$3 million from the state disaster relief fund to Valley City State University for flood protection.

<sup>17</sup>2015 Senate Bill No. 2018 appropriates \$2 million from the state disaster relief fund for Double Ditch historic site repairs.

<sup>18</sup>Section 15 of 2015 Senate Bill No. 2020 appropriates \$4 million from the state disaster relief fund to the State Water Commission for levee projects for the Missouri River Correctional Center (\$1.2 million) and for Lincoln township's Fox Island area (\$2.8 million).

<sup>19</sup>Section 1 of 2015 Senate Bill No. 2016 included spending authority of \$17.8 million from the state disaster relief fund for expenses related to unclosed state disasters in the 2015-17 biennium.

<sup>20</sup>This amount is an estimate based on actual expenditures through January 31, 2017, and agency estimated expenditures through June 30, 2017.



<sup>21</sup>Section 1 of 2017 House Bill No. 1016 includes spending authority of \$8.5 million from the state disaster relief fund for expenses related to unclosed state disasters in the 2017-19 biennium. Section 13 of 2017 House Bill No. 1016 includes carryover authority for amounts related to disaster costs for road grade raising projects. The amount of carryover is estimated to be approximately \$100,000.

#### **FUND HISTORY**

Section 37-17.1-27 (Section 4 of 2009 Senate Bill No. 2012) establishes a state disaster relief fund. In 2011 Senate Bill No. 2369, the Legislative Assembly amended Section 37-17.1-27 to limit use of money in the fund for only the required state share of funding for expenses associated with presidentially declared disasters in the state and to require Emergency Commission and Budget Section approval of the use of money in the fund. Senate Bill No. 2292 (2013) further amended the section to allow money in the fund to be used for wide area search and rescue activities. Any interest or other fund earnings must be deposited in the fund.

Section 3 of 2015 House Bill No. 1377 amended Section 57-51.1-07.5 relating to the allocation of oil and gas taxes to the state disaster relief fund. The section provides that no oil and gas taxes may be deposited in the state disaster relief fund if the unobligated balance in the fund exceeds \$25 million. Section 2 of 2017 House Bill No. 1152 amends Section 57-51.1-07.5 relating to the allocation of oil and gas taxes to the state disaster relief fund. The section provides that no oil and gas taxes may be deposited in the state disaster relief fund if the unobligated balance in the fund exceeds \$20 million.

**ANALYSIS OF THE ELECTRONIC HEALTH INFORMATION EXCHANGE FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance <sup>1</sup>		\$4,632,499		\$2,626,153
Add estimated revenues				
Funds from health information network participants	\$700,000		\$1,940,000	
Funds from the Department of Human Services <sup>2</sup>	135,000		16,490,000	
eHealth Summit	4,727			
Total estimated revenues		839,727		18,430,000
Total available		\$5,472,226		\$21,056,153
Less estimated expenditures and transfers				
Implementing a statewide health information technology and exchange network <sup>2</sup>	\$2,794,405		\$19,400,000	
Department of Human Services Health Information Technology Grant Match	51,668		60,000	
Total expenditures and transfers		2,846,073		19,460,000
Estimated ending balance		\$2,626,153		\$1,596,153

<sup>1</sup>Section 8 of 2009 Senate Bill No. 2332 provided the Industrial Commission transfer, during the 2009-11 biennium, as requested by the Director of the Health Information Technology Office, up to \$8 million from the Bank of North Dakota's profits to the health information technology loan fund to meet any required match for federal funds or to the electronic health information exchange fund to meet any required match for federal funds.

Section 6 of 2011 House Bill No. 1021 amended Section 8 of 2009 Senate Bill No. 2332 to provide the Industrial Commission transfer, during the 2009-11 or 2011-13 biennium, up to \$8 million from the Bank's profits to the information technology loan fund or to the electronic health information exchange fund to meet any required match for federal funds or for ongoing operating expenditures of the health information exchange. During the 2009-11 biennium, \$500,000 was transferred to the electronic health information exchange fund, and during the 2011-13 biennium, \$7.5 million was transferred to the electronic health information exchange fund.

<sup>2</sup>Section 2 of 2017 Senate Bill No. 2021 provides a special fund appropriation of \$43,555,133 for a project to expand the North Dakota health information network. The purpose of the funding is to enhance the overall functionality of the North Dakota health information network by providing comprehensive interoperability between all Medicaid providers throughout the state. The project will allow for statewide repositories for analytics, care coordination, credentialing, and advanced directives.

The Department of Human Services anticipates receiving federal Medicaid funding of \$40.8 million for the project, which is included in 2017 House Bill No. 1012. The balance will be provided by the payers, providers, and existing state health information network. Funds are expected to be used through the 2019-21 biennium.

The Information Technology Department anticipates receiving \$135,000 in the 2015-17 biennium from the Department of Human Services for advanced planning documents, a state Medicaid plan, and to conduct a care coordination study for the North Dakota health information network. The Information Technology Department anticipates receiving \$16.49 million in the 2017-19 biennium from the Department of Human Services for the North Dakota health information network. The Information Technology Department anticipates total expenditures for the North Dakota health information network of \$2.8 million during the 2015-17 biennium, \$19.4 million during the 2017-19 biennium, and the remainder during the 2019-21 biennium.

### **FUND HISTORY**

North Dakota Century Code Section 54-59-27 (2009 Senate Bill No. 2332) establishes the electronic health information exchange fund. The fund consists of the money deposited in the fund from federal or other sources or money transferred into the fund as directed by the Legislative Assembly. The Health Information Technology Office is to administer the fund. The money in the fund is to be used to facilitate and expand the electronic health information exchange. Money in the fund may be used, subject to legislative appropriations, to provide services directly for grants and for costs of administration of the fund.

An application for a grant must be made to the Health Information Technology Office. The Health Information Technology Office is to determine the applicant's eligibility based upon criteria established by the Director of the Health Information Technology Office, in collaboration with the Health Information Technology Advisory Committee.

**ANALYSIS OF THE ENVIRONMENT AND RANGELAND PROTECTION FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$3,535,678		\$2,714,236
Add estimated revenues				
Pesticide registration fees (North Dakota Century Code Section 19-18-04) <sup>1</sup>	\$4,300,000		\$4,200,000	
Weed seed-free forage (Section 4.1-14-04) <sup>2</sup>	48,922		78,922	
Fertilizer registration, inspection, and tonnage fees (Sections 19-20.1-03, 19-20.1-03.1, and 19-20.1-06) <sup>3,4</sup>	1,080,850		1,080,850	
Commercial feed registration, inspection, and tonnage fees (Section 19-13.1-16) <sup>5</sup>	727,500		727,500	
Total estimated revenues		6,157,272		6,087,272
Total available		\$9,692,950		\$8,801,508
Less estimated expenditures and transfers				
Agriculture Commissioner (2015 SB 2009; 2017 HB 1009)				
Plant Industries Division <sup>6</sup>	\$1,737,727		\$1,863,504	
Pesticide and Fertilizer Division	3,093,473		3,121,069	
Marketing and Information Division	372,285		370,653	
Livestock Development Division <sup>7</sup>	533,365		491,496	
Animal Health Division <sup>8</sup>	107,464		110,872	
Wildlife Services program <sup>8</sup>	384,400		384,400	
Administrative Services Division	100,000		101,000	
Crop Protection Product Harmonization and Registration Board (2015 SB 2009; 2017 HB 1009) <sup>9</sup>				
Crop protection product registration, labeling, and grants	75,000		75,000	
Minor use pesticide registration	325,000		325,000	
State Department of Health (2015 HB 1004; 2017 SB 2004)				
Ground water testing, including a \$50,000 grant for the North Dakota Stockmen's Association environmental services program	250,000		250,000	
Total estimated expenditures and transfers		6,978,714		7,092,994
Ending balance		\$2,714,236		\$1,708,514

<sup>1</sup>The Legislative Assembly in 1999 approved Senate Bill No. 2009, which included a provision increasing the biennial pesticide registration fee by \$50, from \$300 to \$350. The Legislative Assembly in 2009 approved House Bill No. 1009, which deposits all pesticide registration fees in the environment and rangeland protection fund rather than a portion in the general fund.

<sup>2</sup>Chapter 4.1-14 allows the Agriculture Commissioner to certify forage acreage as being free of certain weeds and weed seed. The appropriation provided to the department for the program is the amount that is anticipated to be received from fees charged for certifications.

<sup>3</sup>House Bill No. 1321 (2011) repealed Section 19-20.2-08.1 that deposits certain inspection fees in the anhydrous ammonia storage facility inspection fund. The bill provided that the fee collections are to be deposited in the environment and rangeland protection fund, and anhydrous ammonia inspection storage facility inspection duties are to be transferred from the Insurance Commissioner to the Agriculture Commissioner.

<sup>4</sup>Senate Bill No. 2009 (2011) amended Sections 19-20.1-03, 19-20.1-03.1, and 19-20.1-06 to deposit fertilizer distribution registration, licensing, and inspection fees in the environment and rangeland protection fund rather than the general fund. House Bill No. 1321 (2011) also amended Section 19-20.1-06 to deposit a portion of fertilizer distribution inspection fees in the environment and rangeland protection fund rather than the general fund.

<sup>5</sup>Section 19-13.1 provides for the deposit of the first \$727,500 of commercial feed inspection, licensing, and registration fees in the environment and rangeland protection fund rather than the general fund.

<sup>6</sup>House Bill No. 1009 (2017) includes a one-time appropriation of \$120,000 from the environment and rangeland protection fund to the Agriculture Commissioner for the national genomics center.

<sup>7</sup>House Bill No. 1009 (2013) provides for the Agriculture Commissioner to assume livestock development duties from the Dairy Coalition.

<sup>8</sup>Senate Bill No. 2009 (2015) provides for a portion of funding for the Wildlife Services program (\$384,400) and the State Board of Animal Health (\$107,464) to be paid from the environment and rangeland protection fund. House Bill No. 1009 (2017) provides for a portion of funding for the Wildlife Services program (\$384,400) and the State Board of Animal Health (\$110,872) to be paid from the environment and rangeland protection fund rather than the game and fish fund.

<sup>9</sup>Section 4-35-30, as created by 2001 House Bill Nos. 1009 and 1328, created the Crop Protection Product Harmonization and Registration Board. The duties of the board consist of:

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

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

- The Governor or the Governor's designee (Chairman).
- The Agriculture Commissioner or the Commissioner's designee.
- The Chairman of the House Agriculture Committee or the Chairman's designee.
- The Chairman of the Senate Agriculture Committee or the Chairman's designee.
- A member of the House or Senate Agriculture Committee who is not a member of the faction in which the committee Chairman is a member, appointed by the Chairman of the Legislative Management.
- 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 Management (nonvoting).
- The Director of the Agricultural Experiment Station (nonvoting).

#### **FUND HISTORY**

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. During the 2007-09 biennium, the biennial fee was \$350 per pesticide product registered in the state. Of this amount, \$300 was deposited in the environment and rangeland protection fund and \$50 in the general fund. Pursuant to Section 19-18-04, as amended by 2009 House Bill No. 1009, beginning with the 2009-11 biennium, the entire pesticide registration fee is deposited in the environment and rangeland protection fund rather than a portion in the general fund.

**ANALYSIS OF THE FIRE AND TORNADO FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$23,475,028		\$17,285,028
Add estimated revenues				
Premium collections	\$9,500,000		\$9,500,000	
Investment income (loss)	2,100,000		3,000,000	
Boiler inspection fees	880,000		790,000	
Loss claims and insurance recoveries	970,000		720,000	
Total estimated revenues		13,450,000		14,010,000
Total available		\$36,925,028		\$31,295,028
Less estimated expenditures and transfers				
Loss claims payments	\$9,590,000		\$6,310,000	
Claims-related payments, including reinsurance costs	8,440,000		7,530,000	
Insurance Department administration	1,380,000		1,800,000	
Investment expense	100,000		100,000	
State Fire Marshal program (2015 SB 2003; 2017 HB 1003)	130,000		130,000	
Total estimated expenditures and transfers		19,640,000		15,870,000
Estimated ending balance		\$17,285,028		\$15,425,028

**FUND HISTORY**

The 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 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$617,625,443		\$623,322,150
Add estimated revenues				
Oil extraction tax allocations	\$121,750,000 <sup>1</sup>		\$133,550,000 <sup>1</sup>	
Total estimated revenues		121,750,000		133,550,000
Total available		\$739,375,443		\$756,872,150
Less estimated expenditures and transfers				
Transfer to state school aid program due to allotment	\$116,053,293 <sup>2</sup>			
Department of Public Instruction - State school aid (2017 HB 1013)			\$110,000,000 <sup>2</sup>	
Department of Public Instruction - One-time funding for state school aid (2017 HB 1013)			160,000,000 <sup>2</sup>	
Department of Public Instruction - One-time funding for regional education association merger grants (2017 HB 1013)			100,000	
Department of Public Instruction - One-time funding for rapid enrollment grants (2017 SB 2272)			6,000,000 <sup>3</sup>	
Department of Public Instruction - One-time funding for English language learner grants (2017 SB 2272)			500,000 <sup>3</sup>	
Career and Technical Education - Grants to school districts and area centers (2017 SB 2019)			2,477,000	
Transfer to the school construction assistance revolving loan fund (2017 SB 2272)			75,000,000 <sup>3</sup>	
Transfer to the school construction assistance loan fund (2015 SB 2039) <sup>3</sup>		0 <sup>3</sup>		
Transfer to the scholarship endowment fund (2015 SB 2039) <sup>3</sup>		0 <sup>3</sup>		
Total estimated expenditures and transfers		116,053,293		354,077,000
Estimated ending balance		\$623,322,150 <sup>4</sup>		\$402,795,150 <sup>4</sup>
Less required reserve of 15 percent of the general fund appropriation for state school aid during the prior biennium		252,266,100 <sup>4</sup>		265,770,900 <sup>4</sup>
Estimated ending balance available		\$371,056,050		\$137,024,250

<sup>1</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast.

<sup>2</sup>Estimated expenditures - Prior to December 8, 2016, Section 24 of Article X of the Constitution of North Dakota provided 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. In February 2016 the Governor issued a 4.05 percent budget allotment and in March 2016, \$71,758,143 was transferred from the foundation aid stabilization fund to the Department of Public Instruction to offset state school aid, transportation, and special education reductions as a result of the general fund budget allotment. In August 2016 the Governor issued another 2.5 percent budget allotment and an additional transfer of \$44,295,150 was made from the foundation aid stabilization fund to the department later that month. Concurrent Resolution No. 4003 (2015), approved by voters in November 2016, amends Section 24 of Article X of the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for the most recently completed biennium for education-related purposes. House Bill No. 1013 provides \$270 million from the foundation aid stabilization fund for state school aid during the 2017-19 biennium, of which \$160 million is considered one-time funding.



<sup>3</sup>The Legislative Assembly approved 2015 Senate Bill No. 2039, which established, contingent on the approval of Senate Concurrent Resolution No. 4003 by voters, a scholarship endowment fund and a school construction assistance loan fund. The bill provided for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016) and to the scholarship endowment fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016). Senate Bill No. 2272 (2017), approved by the Legislative Assembly, but not yet signed by the Governor, repeals Sections 9 and 10 of Chapter 153 of the 2015 Session Laws related to the transfers to the scholarship endowment fund and the school construction assistance loan fund. In addition, Senate Bill No. 2272 provides for a transfer of \$75 million from the foundation aid stabilization fund to the school construction assistance revolving loan fund and for appropriations from the foundation aid stabilization fund to the Department of Public Instruction for rapid enrollment grants (\$6 million) and English language learner grants (\$500,000).

<sup>4</sup>Amendments to the Constitution approved by the voters as provided in 2015 Senate Concurrent Resolution No. 4003 require the balance in the foundation aid stabilization fund be at least 15 percent of the general fund appropriation for state aid to school districts for the most recently completed biennium as determined by the Office of Management and Budget. Any excess balance in the fund is available for education-related purposes. Integrated formula payments, transportation aid, and special education grants totaled \$1,822,100,000 during the 2013-15 biennium, of which \$140,326,000 is provided from the state tuition fund and \$1,681,774,000 is provided from the general fund. Based on this level of funding from the general fund during the 2013-15 biennium, the required balance in the foundation aid stabilization fund during the 2015-17 biennium is \$252,266,100. The adjusted appropriation for integrated formula payments, transportation aid, and special education grants totals \$1,990,940,000 during the 2015-17 biennium, of which \$219,134,000 is provided from the state tuition fund, \$116,053,293 is from the foundation aid stabilization fund, and \$1,655,752,707 is provided from the general fund. Based on this level of funding from the general fund during the 2015-17 biennium, the required balance in the foundation aid stabilization fund during the 2017-19 biennium will be \$248,362,906. The Office of Management and Budget reported in its 2017-19 executive budget documents a required reserve balance of \$265,770,900, which is the reserve balance required based on the original 2015-17 biennium state school aid appropriations. Senate Bill No. 2272 (2017) amends North Dakota Century Code Section 54-44.1-12 to provide any reductions to the general fund appropriation to the Department of Career and Technical Education for grants to school districts due to allotment are also to be offset by funding from the foundation aid stabilization fund. The bill also creates a new section to Chapter 54-27 indicating that state school aid includes general fund appropriations for state school aid, transportation aid, and special education aid in the Department of Public Instruction as well as general fund appropriations for career and technical education grants to school districts and area centers in the Department of Career and Technical Education. If Senate Bill No. 2272 is signed by the Governor, this change would increase the required reserve for the 2019-21 biennium.

### **FUND HISTORY**

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

- 50 percent (of the 20 percent) to the common schools trust fund; and
- 50 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. 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 a 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. The Legislative Assembly has approved, but the Governor has not yet signed, Senate Bill No. 2272 which amends Section 54-44.1-12 to provide any reductions to the general fund appropriation to the Department of Career and Technical Education for grants to school districts due to allotment are offset by funding from the foundation aid stabilization fund.

Section 24 of Article X 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, 2015, through January 31, 2017, \$470,300 of interest from the foundation aid stabilization fund has been allocated to the general fund.

In November 2016 voters approved Senate Concurrent Resolution No. 4003, which amended the Constitution of North Dakota to allow the Legislative Assembly to appropriate or transfer the principal balance of the foundation aid stabilization fund in excess of 15 percent of the general fund appropriation for state school aid for education-related purposes. In addition, the Legislative Assembly approved Senate Bill No. 2039, which included certain provisions effective December 1, 2015, based on the approval of Senate Concurrent Resolution No. 4003 by voters. Those provisions of Senate Bill No. 2039 established a scholarship endowment fund and a school construction assistance loan fund and provided for transfers from the foundation aid stabilization fund to the school construction assistance loan fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016) and to the scholarship endowment fund (the lesser of \$200 million or 50 percent of the balance of the fund on December 1, 2016). Other provisions of Senate Bill No. 2039 provide any accessible funds that remain in the foundation aid stabilization fund, after completion of the required transfers to other funds, must be used for education-related purposes, including state aid to school districts and education-related property tax relief to school district patrons. Senate Bill No. 2272 (2017), approved by the Legislative Assembly, but not yet signed by the Governor, provides for uses of the foundation aid stabilization fund and repeals Sections 9 and 10 of Chapter 153 of the 2015 Session Laws related to the transfers to the scholarship endowment fund and the school construction assistance loan fund.

**ANALYSIS OF THE HEALTH CARE TRUST FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium Estimated		2017-19 Biennium Estimated	
	Beginning balance		\$604,808	
Add revenues				
Investment earnings	\$1,035		\$1,595	
Loan repayments - Principal and interest	999,499		1,014,012	
Total revenues		1,000,534		1,015,607
Total available		\$1,605,342		\$1,849,631
Less expenditures and transfers				
Department of Human Services increased payments to basic care and long-term care facilities (2015 SB 2012, 2017 HB 1012)	\$546,786 <sup>1</sup>		\$546,786 <sup>1</sup>	
Department of Human Services increased nursing home per-bed property cost limitation for single- and double-occupancy construction (2015 SB 2012; 2015 HB 1234, 2017 HB 1012)	139,405 <sup>2</sup>		139,405 <sup>2</sup>	
State Department of Health operation and maintenance of the nurse aide registry (2015 HB 1004, 2017 SB 2004)	85,127		93,768	
Total expenditures and transfers		771,318		779,959
Ending balance		<u>\$834,024</u>		<u>\$1,069,672</u>

<sup>1</sup>Senate Bill No. 2012 (2015) provides a special funds appropriation of \$546,786 to the Department of Human Services for increased payments to basic care and long-term care facilities to continue funding for a portion of the bed layaway program from the health care trust fund. House Bill No. 1012 (2017) continues a special funds appropriation of \$546,786 to the Department of Human Services for increased payments to basic care and long-term care facilities to continue funding for a portion of the bed layaway program from the health care trust fund.

<sup>2</sup>Senate Bill No. 2012 (2015) appropriates funding from the health care trust fund for nursing home rate increases as a result of changes in 2015 House Bill No. 1234 to the property cost limitations of a single- or double-occupancy room. House Bill No. 1012 (2017) continues the same amount of funding from the health care trust fund for nursing home rate increases for property cost limitations of a single- or double-occupancy room.

**FUND HISTORY**

The health care trust fund was established by the Legislative Assembly in 1999 Senate Bill No. 2168 for providing nursing alternative loans or grants. The Legislative Assembly in 2011 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 was 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--McVile and Dunseith. Payments were made based on the average amount Medicare rates exceeded 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 were available for these payments and required a state match. Payments were made to the two government nursing facilities and were 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 was returned to its source, and the federal funds were deposited in the health care trust fund. Money in the fund is invested by the State Investment Board, and any investment earnings are retained in the fund. The federal government has eliminated this intergovernmental transfer program. As a result, North Dakota's final intergovernmental transfer payment was received in July 2004. The 2009 Legislative Assembly in House Bill No. 1012 amended North Dakota Century Code Section 50-30-02 to preclude the Governor from recommending spending from the health care trust fund in draft appropriations Acts under Section 54-44.1-06, except for the operation and maintenance of the nurse aide registry.

**ANALYSIS OF THE HEALTH INFORMATION TECHNOLOGY PLANNING LOAN FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
	Beginning balance <sup>1</sup>		\$1,365,971	
Add estimated revenues				
Loan repayments - Principal	\$2,469,932		\$1,856,041	
Loan repayments - Interest and miscellaneous income	167,095		185,607	
Total estimated revenues		2,637,027		2,041,648
Total available		\$4,002,998		\$4,271,060
Less estimated expenditures and transfers				
Loans to health care entities <sup>2</sup>	\$1,692,223		\$4,178,258	
Bank of North Dakota fees	81,363		92,802	
Total estimated expenditures and transfers		1,773,586		4,271,060
Estimated ending balance		\$2,229,412		\$0

<sup>1</sup>Section 9 of 2009 House Bill No. 2332 provided for a transfer of up to \$5 million of Bank of North Dakota profits to the health information technology planning loan fund, which was transferred during the 2009-11 biennium. Section 4 of 2011 House Bill No. 1021 provided for a transfer of up to \$5 million of Bank profits to the health information technology planning loan fund in the 2011-13 biennium. During the 2011-13 biennium, approximately \$4.3 million of Bank profits were transferred to the fund.

<sup>2</sup>The Health Information Technology Advisory Committee has approved \$13,725,672 of loans since the program's inception in the 2009-11 biennium through December 31, 2016:

St. Andrew's Health Center (Bottineau)	\$625,000	Nelson County Health System	\$305,000
Cooperstown Medical Center	\$396,996	Southwest Healthcare System	605,000
Wishek Hospital	\$761,449	CHI St. Alexius Medical Center	1,250,000
Towner County Medical Center (Cando)	\$924,018	Pediatric Therapy Partners	100,000
Presentation Medical Center (Rolla)	\$625,000	Valley Health	72,155
West River Health Services (Hettinger)	\$1,250,000	Knife River Care Center	125,000
Ashley Medical Center	\$625,000	Golden Acres Manor	98,648
Tioga Medical Center	\$931,320	St. Luke's Home	115,053
St. Luke's Community Hospital and Clinics (Crosby)	\$874,542	Richard P. Stadter Psychiatric Center	702,000
Midgarden Family Clinic (Park River)	\$101,590	Elm Crest Manor	74,500
7-Day Clinic Walk-In Express Care (Fargo)	\$50,000	Northwood Deaconess	370,125
Linton Hospital	\$1,073,012	Pharmacists Association	120,070
McKenzie County Health Care System	\$600,000	St. Gerard's Community of Care	150,194
Garrison Memorial Hospital	\$800,000	Total	\$13,725,672

**FUND HISTORY**

North Dakota Century Code Section 6-09-43 (2009 Senate Bill No. 2332) establishes a health information technology planning loan fund at the Bank of North Dakota for providing low-interest loans to health care entities to assist those entities in improving health information technology infrastructure. This fund is a revolving loan fund. As prescribed in Section 9 of the bill, \$5 million was transferred from the Bank to this fund during the 2009-11 biennium. All money transferred into the fund, interest upon money in the fund, and collections of interest and principal on loans made from the fund are appropriated for disbursement. Annually, the Bank may deduct a service fee for administering the revolving loan fund.

Section 4 of 2011 House Bill No. 1021 provided the Industrial Commission transfer up to \$5 million from the current earnings and accumulated undivided profits of the Bank of North Dakota to the health information technology planning loan fund or the health information technology loan fund in the 2011-13 biennium. The Health Information Technology Office Director was to request transfers from the Bank only as necessary to meet cashflow needs of the funds and only upon certification by the Director of a demonstrated need for health information technology planning loans. During the 2011-13 biennium, \$4,280,219 was transferred by the Bank to the health information technology loan fund.

An application for a loan must be made to the Health Information Technology Office. The Health Information Technology Office Director, in collaboration with the Health Information Technology Advisory Committee, may approve the application of a qualified applicant that meets the criteria established by the Health Information Technology Office Director. The Health Information Technology Office is to forward approved applications to the Bank. Upon approval of the application by the Bank, the Bank is to make the loan from the revolving loan fund.

**ANALYSIS OF THE LEGACY FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION AS OF THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Estimated beginning balance		\$3,289,089,229		\$4,232,719,229
Add estimated revenues				
Oil and gas gross production and extraction tax collections (30 percent of collections) <sup>1</sup>	\$813,630,000		\$869,060,000	
Investment earnings (losses) <sup>2,3</sup>	130,000,000		160,000,000	
Total estimated revenues		943,630,000		1,029,060,000
Total estimated available		\$4,232,719,229		\$5,261,779,229
Less estimated expenditures and transfers				
Transfer of realized earnings accruing after June 30, 2017, to the general fund <sup>3,4</sup>	\$0		\$160,000,000	
Expenditure of principal <sup>4</sup>	0		0	
Total estimated expenditures and transfers		0		160,000,000
Estimated ending balance		\$4,232,719,229		\$5,101,779,229

<sup>1</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast.

<sup>2</sup>The amounts shown reflect projections by the Retirement and Investment Office.

<sup>3</sup>Based on the provisions of Section 26 of Article X of the Constitution of North Dakota, investment earnings accruing after June 30, 2017, will be transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides that the investment earnings are the realized earnings of the fund. The schedule below provides more detail on the investment earnings since the fund was established on July 1, 2011.

	2011-13 Biennium Actual	2013-15 Biennium Actual	2015-17 Biennium Estimated	2017-19 Biennium Estimated	Total
Realized earnings (losses)	\$18,520,564	\$145,255,008	\$130,000,000	\$160,000,000	\$453,775,572
Unrealized earnings (losses)	(12,004,313)	67,871,752	0	0	55,867,439
Total investment earnings (losses)	\$6,516,251	\$213,126,760	\$130,000,000	\$160,000,000	\$509,643,011

The investment earnings (losses) for the legacy fund for the 2015-17 biennium through December 31, 2016, were approximately \$184.9 million, including realized earnings (losses) of \$114.5 million and unrealized earnings (losses) of \$70.4 million.

<sup>4</sup>The principal and earnings of the legacy fund may not be spent until after June 30, 2017, pursuant to Section 26 of Article X of the Constitution of North Dakota. After June 30, 2017, the principal and earnings may be spent as follows:

- Up to 15 percent of the principal of the legacy fund may be spent during a biennium subject to approval by at least two-thirds of the members elected to each house of the Legislative Assembly.
- The realized earnings accruing after June 30, 2017, are transferred by the State Treasurer to the general fund at the end of the biennium and may be spent from the general fund pursuant to legislative appropriation.

### **FUND HISTORY**

The legacy fund was created in 2010 when the voters of North Dakota approved a constitutional amendment--now Section 26 of Article X of the Constitution of North Dakota--to provide 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund. The principal and earnings of the legacy fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the legacy fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the legacy fund, and such transfers become part of the principal of the fund. The State Investment Board is responsible for investment of the principal of the legacy fund. Investment earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium.

Prior to July 1, 2015, if the unobligated balance of the strategic investment and improvements fund exceeded \$300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund were deposited instead into the legacy fund in the subsequent month. In 2015 House Bill Nos. 1176 and 1377, the Legislative Assembly amended Section 15-08.1-08 to remove the provision related to the additional deposits of revenue in the legacy fund from the strategic investment and improvements fund.



**ANALYSIS OF THE LIGNITE RESEARCH FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance <sup>1</sup>		\$18,605,993		\$19,218,193
Add estimated revenues				
Separate two-cent coal severance tax	\$1,100,000		\$1,200,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of Initiated Measure No. 3 in June 1990) (2017 SB 2014)	3,119,000		1,687,500	
Twenty percent of coal severance taxes deposited in the coal development trust fund for clean coal projects (result of constitutional amendment approved by voters in June 1994) (2017 SB 2014)	1,250,000		675,000	
Fifteen percent of coal severance taxes (2017 SB 2014)	0		3,375,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail Energy ethanol plant	250,000		250,000	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)	2,456,000		2,500,000	
Oil and gas tax allocation (2017 HB 1152)			3,000,000	
Revenue bonds/short-term loan <sup>2</sup>	0		0	
Grant funding from the general fund (2015 HB 1014) <sup>3</sup>	4,672,500		0	
Transfer from the strategic investment and improvements fund (2017 SB 2014)	0		3,000,000	
Interest income and return of funds	137,200		150,000	
Total estimated revenues		12,984,700		15,837,500
Total available		\$31,590,693		\$35,055,693
Less estimated expenditures and transfers <sup>4,5</sup>				
Administration	\$750,000		\$950,000	
Lignite feasibility studies (nonmatching grants)	1,500,000		1,500,000	
Small research grants	1,500,000		1,500,000	
Lignite marketing	1,200,000		1,200,000	
Lignite litigation <sup>6</sup>	1,500,000		1,500,000	
Demonstration projects	1,250,000		2,618,000	
Allam Cycle grants (2015 HB 1014) <sup>3</sup>	4,672,500		0	
Advanced energy technology development	0		16,500,000	
Total estimated expenditures and transfers <sup>7</sup>		12,372,500		25,768,000
Estimated ending balance		<u>\$19,218,193</u>		<u>\$9,287,693</u>

<sup>1</sup>The beginning balance shown for the 2015-17 biennium is \$623,423 more than the \$17,982,570 reported in June 2016 due to an adjustment to 2013-15 biennium expenditures.

<sup>2</sup>Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

<sup>3</sup>The 2015 Legislative Assembly provided \$5 million from the general fund; however, the appropriation was reduced by \$327,500 as the result of the August 2016 budget reductions.

<sup>4</sup>The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration research project can receive more than 37.5 percent of available funds.

<sup>5</sup>The Industrial Commission has waived the fund allocation policy. The commission has committed \$22 million through the 2011-13 biennium to three projects. In January 2015 the commission learned one of the projects is not proceeding and released the project's commitment of \$8,732,503. Expenditures for Lignite Vision 21 Project have been \$1,360,750 during the 2003-05 biennium, \$2,243,391 during the 2005-07 biennium, \$2,200,000 during the 2007-09 biennium, \$3,972,090 during the 2009-11 biennium, \$678,851 during the 2011-13 biennium, \$110,000 during the 2013-15 biennium, and anticipated expenditures of \$3,455,361 in subsequent bienniums. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

<sup>6</sup>Lignite litigation - 2007 House Bill No. 1093 provides that \$500,000 of the amount appropriated to the lignite research fund for the 2007-09 biennium is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. Activities associated with the litigation have been initiated with \$83,379 spent during the 2007-09 biennium, \$153,907 spent during the 2009-11 biennium, \$652,519 spent during the 2011-13 biennium, \$983,288 during the 2013-15 biennium with \$451,555 of that amount paid by industry, and \$1,500,000 anticipated to be spent during the 2015-17 biennium and during the 2017-19 biennium. The original \$500,000 was spent by the end of the 2011-13 biennium with additional funding being provided from nonmatching program funds in subsequent bienniums. In addition, the lignite industry has agreed to pay a portion of the litigation costs.

<sup>7</sup>The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

**NOTE:** Senate Bill No. 2014 (2017) reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund. House Bill No. 1152 (2017) changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, providing up to \$3 million of allocations to the lignite research fund.

#### FUND HISTORY

Section 57-61-01.5(2) and Section 21 of Article X of the Constitution of North Dakota, provide for up to 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.

**ANALYSIS OF THE NORTH DAKOTA OUTDOOR HERITAGE TRUST FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium Estimated		2017-19 Biennium Estimated	
	Beginning balance		(\$5,217,411)	
Add revenues				
Oil and gas gross production tax collections	\$19,750,000 <sup>1</sup>		\$10,870,000 <sup>2</sup>	
Interest income	17,600		8,800	
Total revenues		19,767,600		10,878,800
Total available		\$14,550,189		\$20,420,428
Less expenditures and transfers				
Grant award commitments	5,751,665 <sup>3</sup>		\$20,270,428 <sup>4</sup>	
Grant awards withdrawn	(893,104) <sup>5</sup>		0 <sup>5</sup>	
Administrative expenses	150,000		150,000	
Total expenditures and transfers		5,008,561		20,420,428
Ending balance		\$9,541,628 <sup>6</sup>		\$0

<sup>1</sup>House Bill No. 1176 (2015) amended North Dakota Century Code Section 57-51-15 to increase the amount deposited in the North Dakota outdoor heritage fund from 4 percent of the 1 percent of oil and gas gross production tax collections to 8 percent, and to increase the maximum oil and gas gross production tax collection deposits from \$15 million to \$20 million per year and from \$30 million to \$40 million per biennium. The March 2017 legislative revenue forecast for oil and gas taxes estimates oil and gas gross production tax collections of \$19.75 million will be deposited in the fund during the 2015-17 biennium.

<sup>2</sup>Senate Bill No. 2013 (2017) includes provisions amending Section 57-51-15 to adjust the maximum oil and gas gross production tax collection deposits from \$40 million to \$10 million per biennium for the 2017-19 biennium only. The March 2017 legislative revenue forecast for oil and gas taxes estimates oil and gas gross production tax collections of \$10.87 million will be deposited in the fund during the 2017-19 biennium.

<sup>3</sup>The Industrial Commission established 3 rounds of grant awards and approved contract awards of \$5,751,665 during the 2015-17 biennium. The commission awarded grants of \$3,593,093 on December 16, 2015, \$1,126,750 on May 3, 2016, and \$1,031,822 on January 17, 2017. The next grant application deadline is May 1, 2017, but funds may not be awarded by the end of the 2015-17 biennium. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2015-17 biennium. The commission anticipates approximately \$4,948,870 will be expended from the fund during the 2015-17 biennium for grants.

<sup>4</sup>The amount shown reflects estimated funds that will be available for grants in the 2017-19 biennium based on the March 2017 legislative revenue forecast for oil and gas taxes estimates for oil and gas gross production tax collections. Many of the grants are for multiyear projects; therefore, not all of the grant funds awarded will be expended during the 2017-19 biennium. The commission anticipates approximately \$6 million will be expended from the fund during the 2017-19 biennium for grants.

<sup>5</sup>Grants awarded and later withdrawn totaled \$211,683 during the 2013-15 biennium and \$681,421 during the 2015-17 biennium through February 2017. There is no estimate for the amount of grants awarded that may be withdrawn during the remainder of the 2015-17 biennium or during the 2017-19 biennium.

<sup>6</sup>The 2015-17 biennium estimated ending balance of \$9,541,628 is based on grants awarded to date, not amounts anticipated to be spent. Because some grant awards are paid over multiple years, the Industrial Commission anticipates spending approximately \$5,098,870 relating to the grants awarded to date and for administrative costs during the 2015-17 biennium, leaving an estimated cash balance of \$30,842,602.

### **FUND HISTORY**

The North Dakota outdoor heritage fund was established in 2013 House Bill No. 1278 (Chapter 54-17.8) to provide, pursuant to a continuing appropriation, grants to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to enhancing conservation practices in this state by:

- Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- Improving, maintaining, and restoring water quality, soil conditions, plant diversity, animal systems, and by supporting other practices of stewardship to enhance farming and ranching;
- Developing, enhancing, conserving, and restoring wildlife and fish habitat on private and public lands; and
- Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

For the 2013-15 biennium, pursuant to Section 57-51-15, 4 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund, up to \$15 million per year. Effective July 1, 2015, 8 percent of the first 1 percent of oil and gas gross production tax collections is deposited in the North Dakota outdoor heritage fund. A maximum of \$20 million of oil and gas gross production tax collections may be deposited in the fund each year. The Industrial Commission has oversight of the North Dakota outdoor heritage fund. The North Dakota Outdoor Heritage Advisory Board (consisting of 12 voting and 4 ex officio members) makes recommendations to the commission on the funding of grants.

**ANALYSIS OF THE RESEARCH NORTH DAKOTA FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$8,949,234		\$11,116,267
Add estimated revenues				
Transfer from the general fund <sup>1</sup>	\$4,353,542			
Transfer from the centers of excellence fund <sup>2</sup>	7,650,000		\$5,000	
Investment income	14,000			
Total estimated revenues		12,017,542		5,000
Total available		\$20,966,776		\$11,121,267
Less estimated expenditures and transfers				
Technical review expenses	\$150,000		\$80,000	
Research North Dakota grants <sup>3</sup>	4,778,210		3,309,053	
Research North Dakota grants designated for biotechnology <sup>4</sup>	1,812,579		850,000	
Research North Dakota venture grants <sup>5</sup>	3,109,720		1,754,307	
Department of Commerce tourism operating <sup>7</sup>			500,000	
Transfer to the general fund <sup>7</sup>			4,000,000	
Total estimated expenditures and transfers		9,850,509		10,493,360
Estimated ending balance <sup>6</sup>		\$11,116,267		\$627,907

<sup>1</sup>In 2013 Senate Bill No. 2018, the Legislative Assembly established the Research North Dakota fund and provided a transfer of \$12 million from the general fund to provide funding for the Research North Dakota grant program and the Research North Dakota venture grant program. House Bill No. 1018 (2015) includes a transfer of \$4.5 million from the general fund to the Research North Dakota fund. However, the transfer in the 2015-17 biennium was reduced by \$146,458 to \$4,353,542 due to the general fund budget reductions made during the August 2016 special legislative session.

<sup>2</sup>House Bill No. 1018 (2015) directs the Office of Management and Budget to transfer unobligated funds from the centers of excellence fund to the Research North Dakota fund. Unobligated funds of \$7.65 million in the centers of excellence fund were transferred to the Research North Dakota fund in January 2017.

<sup>3</sup>Of the \$12 million appropriated for Research North Dakota for the 2013-15 biennium, \$6 million is available for Research North Dakota grants without any specific designation. The purpose of the Research North Dakota grant program is to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner. The Department of Commerce and the Centers of Excellence Commission are to develop guidelines for the grant application, which must include a detailed partnership agreement and proof of dollar-for-dollar matching funds which must be in cash. The partnership agreement must include the scope and location of the work, a budget, and intellectual property agreements.

<sup>4</sup>The 2013 Legislative Assembly designated \$4 million of the \$12 million provided for the Research North Dakota grant program for biotechnology grants. These grants are to be provided to a research university to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites. The Department of Commerce did not receive sufficient applications to award the full \$4 million of funding for biotechnology grants; therefore, the department is reallocating unawarded funds for other Research North Dakota grants. The 2015 Legislative Assembly designated \$1 million of the \$4.5 million general fund transfer to the Research North Dakota fund for biotechnology grants. The Legislative Assembly provided if the entire \$1 million allocation was not awarded by December 31, 2016, any remaining funds must be reallocated for other Research North Dakota purposes. The funds were not reallocated, as the department awarded the entire \$1 million prior to December 31, 2016.

<sup>5</sup>The 2013 Legislative Assembly designated up to \$2 million of the \$12 million provided for the Research North Dakota grant program for venture grants. These grants are to be provided to a research university to further the commercialization of technology developed by the university or jointly with a startup or spinoff business operating in North Dakota. The Department of Commerce and the Centers of Excellence Commission will develop guidelines for the grants. The 2015 Legislative Assembly did not designate any funding for venture grants. However, the Department of Commerce anticipates \$3.1 million of unallocated Research North Dakota funding will be reallocated for venture grants.

<sup>6</sup>Of the \$12 million appropriated for the Research North Dakota fund for the 2013-15 biennium, the department awarded \$6,562,112 during the 2013-15 biennium. The 2013-15 biennium ending balance included \$3,586,662 of the funds awarded but not distributed, as well as \$5,362,572 of available funds not yet awarded. Of the estimated \$12 million of revenue available during the 2015-17 biennium, the department anticipates awarding \$9.3 million, with actual expenditures of \$9.9 million. As a result, the 2015-17 biennium estimated ending balance includes \$3,113,360 of funds anticipated to be awarded but not distributed, and \$8,002,907 of available funds not yet awarded, totaling \$11,116,267 on June 30, 2017. After the transfer of \$4 million to the general fund and \$500,000 to support the department's tourism operations (see footnote 7 below), the department anticipates awarding the remaining \$3.5 million of available funding during the 2017-19 biennium, including the 2017-19 biennium estimated ending balance of \$627,907. The department does not anticipate distributing the remaining \$627,907 until the 2019-21 biennium.

<sup>7</sup>Section 14 of Senate Bill No. 2018, as amended by the House, requires the Office of Management and Budget to transfer \$4 million from the Research North Dakota fund to the general fund during the 2017-19 biennium. Section 13 of the bill also requires \$500,000 of available funding to be used for the Department of Commerce's North Dakota tourism program during the 2017-19 biennium.

#### **FUND HISTORY**

Section 17 of 2013 Senate Bill No. 2018 established a Research North Dakota fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the Research North Dakota grant program and the Research North Dakota venture grant program. Interest earned on money in the fund is retained in the fund.

## ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance, excluding infrastructure revolving loan fund		\$576,346,704		\$265,710,568
Add estimated revenues				
Oil extraction tax collections	\$243,510,000 <sup>1</sup>		\$267,100,000 <sup>1</sup>	
Repayments and reimbursements	14,576,000		12,400,000	
Investment earnings/Miscellaneous income	3,500,000		2,700,000	
Total estimated revenues		261,586,000		282,200,000
Total available		\$837,932,704		\$547,910,568
Less funds designated for the infrastructure revolving loan fund (North Dakota Century Code Section 61-02-78)	\$14,592,136 <sup>2</sup>		\$0 <sup>4</sup>	
Less estimated expenditures and transfers				
State Water Commission - Grants, projects, and project administration, including expenditures approved by the Budget Section pursuant to 2015 SB 2020 and 2017 HB 1020	552,850,000 <sup>3</sup>		542,500,358 <sup>3,4</sup>	
Water authority debt payments <sup>2</sup>			0	
Total estimated State Water Commission expenditures and loans		567,442,136		542,500,358
Transfer to renewable energy development fund (Section 57-51.1-07)	\$3,560,000 <sup>5</sup>		\$2,670,000 <sup>5</sup>	
Transfer to energy conservation grant fund (Section 57-51.1-07)	1,220,000 <sup>5</sup>		140,000 <sup>5</sup>	
Total estimated transfers		4,780,000		2,810,000
Estimated ending balance, excluding funds designated for infrastructure revolving loan fund		\$265,710,568		\$2,600,210

<sup>1</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast.

<sup>2</sup>This amount represents 10 percent of actual oil extraction tax collections through March 2017, and estimated oil extraction tax collections for the remainder of the 2015-17 biennium based on the March 2017 legislative revenue forecast and legislative action as of April 10, 2017, to the infrastructure revolving loan fund. House Bill No. 1020 (2017) amends Section 61-02-78 to provide no more than \$26 million of resources trust fund revenue is allocated to the infrastructure revolving loan fund.

Infrastructure Revolving Loan Fund Share of Oil Extraction Tax Collections	
	Actual and Estimated Total Infrastructure Revolving Loan Fund Collections
2013-15 biennium - actual	\$11,407,864
2015-17 biennium - estimated	14,592,136
2017-19 biennium - estimated	0
<b>Total</b>	<b>\$26,000,000</b>

<sup>3</sup>Sections 1 and 5 of 2015 Senate Bill No. 2020 appropriated \$755,817,897, or any additional funding that becomes available, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium. The Legislative Assembly, in 2015 Senate Bill No. 2020, directed the State Water Commission to refinance all remaining bonds through the Bank of North Dakota and to continue annual loan payments on the newly refinanced bonds. The State Water Commission refinanced the bonds with the Bank on July 29, 2015, in the amount of \$45,840,221 at a variable interest rate of 1.75 percent. Principal and interest payments are estimated by the Bank to total \$7.6 million during the 2015-17 biennium and \$7.45 million during the 2017-19 biennium. The Bank loan will mature on June 30, 2030. The State Water Commission is making the loan payments from the resources trust fund.

<sup>4</sup>Sections 1 and 4 of 2017 House Bill No. 1020 appropriate \$542,500,358 or any additional funding that becomes available from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2017-19 biennium.

<sup>5</sup>The Legislative Assembly in 2013 Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to \$3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. House Bill No. 1020 (2017) reduces the resources trust fund allocation to the renewable energy development fund from 5 to 3 percent and reduces the allocation to the energy conservation grant fund from \$1.2 million to \$200,000 for the 2017-19 biennium and restores the allocation from \$200,000 to \$1.2 million after July 31, 2019.

### INFRASTRUCTURE REVOLVING LOAN FUND HISTORY

The infrastructure revolving loan fund was created by the 2013 Legislative Assembly in Senate Bill No. 2233, which became effective on January 1, 2015. The bill established an infrastructure revolving loan fund within the resources trust fund. The bill provided 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission with a fixed interest rate of 1.5 percent and administered by the Bank of North Dakota. Annually, the Bank receives .5 percent of the balance of issued loans to cover costs associated with administering the loans. The fund beginning balance and revenue earned in a biennium are carried over from biennium to biennium within the resources trust fund. House Bill No. 1020 (2017) provides the maximum to be allocated to the infrastructure revolving loan fund is **\$26 million**.

### RESOURCES TRUST FUND HISTORY

The resources trust fund was created pursuant to the passage of Initiated Measure No. 6 in the November 1980 general election. Initiated 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; and
- Energy conservation programs.

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

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

The 1995 Legislative Assembly amended Section 57-51.1-07 to increase the percentage of oil extraction tax deposited into the resources trust fund from 10 to 20 percent. The general fund received 60 percent of oil extraction tax revenues, and the remaining 20 percent was allocated pursuant to Section 24 of Article X of the Constitution of North Dakota.

Section 57-51.1-07, as amended by 2011 Senate Bill No. 2129, provides that oil extraction tax revenues be distributed as follows:

- 20 percent to the resources trust fund;
- 20 percent allocated as provided in Section 24 of Article X of the Constitution of North Dakota;
- 30 percent to the legacy fund; and
- 30 percent to be allocated to the state's general fund with certain funds designated for deposit in the property tax relief sustainability fund, the strategic investment and improvements fund, and the state disaster relief fund as provided in 2011 House Bill No. 1451.



The 2013 Legislative Assembly in Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to \$3 million per biennium and of .5 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. In addition, effective January 1, 2015, the Legislative Assembly, in 2013 Senate Bill No. 2233, established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota. House Bill No. 1020 (2017) reduces the allocation to the renewable energy development fund from 5 to 3 percent, reduces the allocation to the **energy conservation grant fund** from \$1.2 million to \$200,000 for the 2017-19 biennium and restores the allocation from \$200,000 to \$1.2 million after July 31, 2019, and provides for a \$26 million maximum allocation of resources trust fund revenues to the infrastructure revolving loan fund.

**ANALYSIS OF THE RISK MANAGEMENT FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Estimated beginning balance		\$7,208,708		\$4,822,572
Add estimated revenues				
Premiums	\$1,707,445 <sup>2</sup>		\$1,730,444 <sup>2</sup>	
Interest and other revenue	240,000 <sup>3</sup>		240,000 <sup>3</sup>	
Total estimated revenues		1,947,445		1,970,444
Total available		\$9,156,153		\$6,793,016
Less estimated expenditures and transfers				
Administration	\$1,628,525		\$1,692,133	
Claims-related expenses	0 <sup>4</sup>		0 <sup>4</sup>	
Claims, litigation, and excess insurance	2,705,056		3,000,000	
Total estimated expenditures and transfers		4,333,581		4,692,133
Estimated ending balance		<u>\$4,822,572</u>		<u>\$2,100,883</u>

<sup>1</sup>In response to an actuarial review completed in 2014 by Aon plc, the Office of Management and Budget's Risk Management Division assessed a total of \$1,853,932 in risk management premiums to state agencies, boards, and commissions and the North Dakota University System for the 2015-17 biennium. Assessments were subject to a risk management discount program for agencies that adopt proactive loss control practices, with a maximum available discount of 15 percent. The amount shown for premiums reflects fiscal year 2016 discounts of \$71,848 and fiscal year 2017 discounts of \$71,1184.

<sup>2</sup>In response to an actuarial review completed in 2016 by Aon plc, the Office of Management and Budget's Risk Management Division is assessing a total of \$1,853,932 in risk management premiums to state agencies, boards, and commissions and the University System for the 2017-19 biennium. Contributions reflect \$71,848 in discounts for fiscal year 2018 and estimated \$71,184 in discounts for fiscal year 2019.

<sup>3</sup>Investment and other revenue relates to realized or projected gains from risk management investments, payments received from salvaged vehicles, and costs and attorney's fees collected for successful lawsuits.

<sup>4</sup>The amounts listed for claims-related expenses are for adjusting consulting services required for large or unusual claims.

**NOTE:** House Bill No. 1088 (2017) allows the Office of Management and Budget to pay notification and remediation costs or insurance costs from the risk management fund in the event of an information technology security breach at a state agency.

**FUND HISTORY**

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

**ANALYSIS OF THE SENIOR CITIZEN SERVICES AND PROGRAMS FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium Estimated		2017-19 Biennium Estimated	
Beginning balance		\$0		\$0
Add revenues				
Allocation from sales, use, and motor vehicle excise tax collections	\$6,823,740 <sup>1,2</sup>		\$7,000,000 <sup>1,2</sup>	
Total revenues		6,823,740		7,000,000
Total available		\$6,823,740		\$7,000,000
Less expenditures and transfers				
State Treasurer - County senior citizen matching grants	\$6,797,665 <sup>3</sup>		\$7,000,000 <sup>3</sup>	
Transfer to the general fund	26,075 <sup>4</sup>		0 <sup>4</sup>	
Total expenditures and transfers		\$6,823,740		7,000,000
Ending balance		\$0		\$0

<sup>1</sup>The allocation from sales, use, and motor vehicle excise tax collections is shown below:

Fiscal Year	Allocation From Sales, Use, and Motor Vehicle Excise Tax Collections	Percentage Increase (Decrease) From Previous Year
2010	\$1,310,947 (actual)	5.4%
2011	\$1,399,652 (actual)	6.8%
2012	\$1,695,832 (actual)	21.2%
2013	\$1,821,347 (actual)	7.4%
2014	\$2,311,346 (actual)	26.9%
2015	\$2,696,752 (actual)	16.7%
2016	\$3,169,878 (actual)	17.5%
2017	\$3,653,862 (actual)	15.3%
2018	\$3,500,000 (estimate)	(4.2%)
2019	\$3,500,000 (estimate)	0.0%

<sup>2</sup>Senate Bill No. 2242 (2011) increased the amount of general fund revenue to be allocated to the senior citizen services and programs fund from two-thirds of one mill levied statewide to three-fourths of one mill levied statewide effective for taxable years beginning after December 31, 2010. The bill also increased the amount of grants provided to counties that have approved a mill levy for senior citizen services and programs from two-thirds of the amount levied in the county for senior citizen programs to three-fourths of the amount levied in the county for senior citizen programs, limited to one mill.

Senate Bill No. 2162 (2013) increased the amount of general fund revenue to be allocated to the senior citizen services and programs fund from three-fourths of one mill levied statewide to 85 percent of one mill levied statewide effective for taxable years beginning after December 31, 2012. The bill also increased the amount of grants provided to counties that have approved a mill levy for senior citizen programs from three-fourths of the amount levied in the county for senior citizen programs to 85 percent of the amount levied up to one mill.

Senate Bill No. 2143 (2015) increased the amount of general fund revenue to be allocated to the senior citizen services and programs fund from 85 percent of one mill levied statewide to 87.5 percent of the amount appropriated up to one mill levied statewide effective for taxable years beginning after December 31, 2014. The bill also increased the amount of grants provided to counties that have approved a mill levy for senior citizen programs from 85 percent of the amount levied in the county for senior citizen programs to 87.5 percent of the amount appropriated up to one mill.

Senate Bill No. 2273 (2017) adjusts the amount of general fund revenue to be allocated to the senior citizen services and program fund from 87.5 percent of the amount appropriated up to one mill levied statewide to the lesser of 87.5 percent of the amount appropriated up to one mill levied statewide or \$3.5 million effective for taxable years beginning after December 31, 2016. The bill also adjusts the amount of total grants provided to counties that have approved a mill levy for senior citizen programs from 87.5 percent of the amount levied in the county for senior citizen programs to the lessor of 87.5 percent of the amount appropriated up to one mill or \$3.5 million.

<sup>3</sup>The county senior citizen matching grants are shown below:

Fiscal Year	County Senior Citizen Matching Grants	Percentage Increase (Decrease) From Previous Year
2010	\$1,298,462 (actual)	5.9%
2011	\$1,384,391 (actual)	6.6%
2012	\$1,687,098 (actual)	21.9%
2013	\$1,789,363 (actual)	6.1%
2014	\$2,290,963 (actual)	28.0%
2015	\$2,696,752 (actual)	17.7%
2016	\$3,169,878 (actual)	17.5%
2017	\$3,627,787 (actual)	14.4%
2018	\$3,500,000 (estimate)	(3.5%)
2019	\$3,500,000 (estimate)	0%

<sup>4</sup>Any funds remaining at the end of each biennium are transferred to the general fund.

#### FUND HISTORY

The Legislative Assembly in 2005 approved Senate Bill No. 2267, which created the senior citizen services and programs fund. Statutory provisions are contained in North Dakota Century Code Sections 57-15-56(5) and 57-39.2-26.2. Current statutory provisions provide that each year during July through December, the State Treasurer is to transfer to the fund the portion of sales, use, and motor vehicle excise tax collections that are equivalent to the amount generated from 87.5 percent of one mill levied statewide as reported by the Tax Commissioner. The State Treasurer, by March 1 of the following year, pursuant to a continuing appropriation, distributes money in the fund as grants to eligible counties for senior citizen programs. The grants are provided to counties that have approved a mill levy for senior citizen services and programs. Current statutory provisions provide that the amount of each county's annual grant is equal to 87.5 percent of the amount appropriated in dollars in the county for senior citizen programs, limited to one mill. The Legislative Assembly provided intent that counties match 50 percent of the state grant with funding from the county general fund or state aid distribution fund receipts. Any money remaining in the fund at the end of each biennium is transferred to the general fund, except in the 2005-07 biennium any remaining money in the fund at the end of the biennium was allocated to those counties that were levying the statutory maximum for senior citizen programs in proportion to the amounts generated by those levies in those counties. The Legislative Assembly in 2011 Senate Bill No. 2242 amended statutory provisions to increase the amount of collections to be allocated to the fund and the amount of grants provided to counties from two-thirds of the amount levied for senior citizen programs to three-fourths of the amount levied for senior citizen programs, limited to one mill. In 2013 Senate Bill No. 2162, the Legislative Assembly increased these amounts to 85 percent of the amounts levied for senior citizen programs, limited to one mill. In 2015 Senate Bill No. 2143, the Legislative Assembly increased these amounts to 87.5 percent of the amounts appropriated for senior citizen programs, limited to one mill.

**ANALYSIS OF THE STATE AID DISTRIBUTION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$0		\$0
Add estimated revenues				
Sales, use, and motor vehicle excise taxes (based on 43.5 percent of an equivalent one-cent sales tax effective July 1, 2014)	\$181,312,894 <sup>1</sup>		\$183,168,991 <sup>1</sup>	
Total estimated revenues		181,312,894		183,168,991
Total available		\$181,312,894		\$183,168,991
Less estimated expenditures and transfers				
Payments to political subdivisions				
County share (53.7 percent)	\$97,365,024		\$98,361,749	
City share (46.3 percent)	83,947,870		84,807,242	
Total estimated expenditures and transfers		181,312,894		183,168,991
Estimated ending balance		\$0		\$0

<sup>1</sup>The amounts shown reflect actual revenue collections deposited in the fund through February 2017. The estimated revenues for the remainder of the 2015-17 biennium and the estimated revenues for the 2017-19 biennium are based on the March 2017 legislative revenue forecast, and the effects of Senate Bill Nos. 2330 (dairy farm equipment tax reduction) and 2344 (medical marijuana-related revenues). This does not reflect the effect of Senate Bill Nos. 2199 and 2298, because the effect of these bills cannot be determined.

**FUND HISTORY**

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

The 1997 Legislative Assembly amended Section 57-39.2-26.1 to provide that, effective January 1, 1999, deposits into the state aid distribution fund are based on an amount equal to 40 percent of an equivalent one-cent sales tax instead of an amount equal to 60 percent of an equivalent one-cent sales tax. In addition, a continuing appropriation was added which appropriates all revenues deposited in the state aid distribution fund for payments to political subdivisions. Senate Bill No. 2325 (2013) provides that effective July 1, 2014, deposits into the state aid distribution fund be based on an amount equal to 43.5 percent of an equivalent one-cent sales tax instead of an amount equal to 40 percent of an equivalent one-cent sales tax.

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

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

<b>Population Category Through June 30, 2011</b>			
<b>Counties</b>	<b>Percentage</b>	<b>Cities (Based on Population)</b>	<b>Percentage</b>
17 counties with the largest population (allocated equally)	20.48%	80,000 or more	19.4%
17 counties with the largest population (allocated based on population)	43.52%	20,000 or more but less than 80,000	34.5%
Remaining counties (allocated equally)	14.40%	10,000 or more but less than 20,000	16.0%
Remaining counties (allocated based on population)	21.60%	5,000 or more but less than 10,000	4.9%
		1,000 or more but less than 5,000	13.1%
		500 or more but less than 1,000	6.1%
		200 or more but less than 500	3.4%
		Less than 200	2.6%
<b>Total</b>	<b>100.00%</b>		<b>100.0%</b>

Senate Bill No. 2253 (2011), which became effective July 1, 2011, revised the state aid distribution formula for cities to provide that distributions be based upon the proportion each city's population bears to the total population of all cities. The bill did not change the total distribution percentages to cities and counties, which remains at 53.7 percent to counties and 46.3 percent to cities. The allocation formula for specific counties and cities is:

<b>Population Category Effective July 1, 2011</b>		
<b>Counties</b>	<b>Percentage</b>	<b>Cities</b>
17 counties with the largest population (allocated equally)	20.48%	Based upon the proportion each city's population bears to total population
17 counties with the largest population (allocated based on population)	43.52%	
Remaining counties (allocated equally)	14.40%	
Remaining counties (allocated based on population)	21.60%	
<b>Total</b>	<b>100.00%</b>	

Senate Bill No. 2325 (2013), which became effective July 1, 2014, increased the portion of the sales and use, gross receipts, and motor vehicle excise tax collections that is deposited in the state aid distribution fund from an amount equal to 40 percent of the equivalent one-cent sales tax to an amount equal to 43.5 percent of an equivalent one-cent sales tax.

House Bill No. 1067 (2015), which became effective July 1, 2015, and expires on June 30, 2021, changes the state aid distribution formula from allocations based on the decennial census to allocations based on most recent actual or estimated census date.

**ANALYSIS OF THE STRATEGIC INVESTMENT AND IMPROVEMENTS FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Estimated beginning balance		\$557,226,995		\$354,338,865
Add estimated revenues				
Production royalties (2017 HB 1199; 2017 SB 2134) <sup>1,2</sup>	\$119,042,489		\$128,556,487	
Mineral leases <sup>1</sup>	1,064,838		400,000	
Oil and gas bonuses <sup>1</sup>	14,135,055		8,000,000	
Investment earnings <sup>1</sup>	7,873,595		6,159,956	
Oil and gas tax collections (2017 HB 1152; 2017 SB 2013) <sup>3,4</sup>	133,530,000		131,700,000	
Total estimated revenues		275,645,977		274,816,443
Total estimated available		\$832,872,972		\$629,155,308
Less estimated expenditures and transfers				
<b>State Treasurer</b>				
Contingent court-ordered payments to a bankruptcy estate (2017 HB 1024)	\$15,200,000			
<b>Attorney General</b>				
Domestic violence and sexual assault examiner grants (2017 SB 2191)			\$150,000	
<b>Commission on Legal Counsel for Indigents</b>				
Contract service fees (2015 HB 1022)	200,000			
Deficiency - Marsy's law costs (2017 HB 1024)	189,000			
<b>Department of Trust Lands</b>				
Grant to Williston airport (2017 SB 2013)			15,000,000	
<b>State Department of Health</b>				
Deficiency - Federal litigation costs (2017 HB 1024)	250,000			
Federal litigation costs (2017 SB 2004)			500,000	
<b>Department of Human Services</b>				
Deficiency - Medicaid program costs (2017 HB 1024)	9,000,000			
<b>Industrial Commission</b>				
Core library expansion project (2015 HB 1014) <sup>5</sup>	13,516,904			
Federal litigation costs (2017 SB 2014)			1,000,000	
Transfer to the lignite research fund (2017 SB 2014)			3,000,000	
Contracting for a limited survey review (2017 SB 2134)			800,000	
<b>Public Service Commission</b>				
Litigation costs (2017 HB 1008)			300,000	
<b>Bank of North Dakota</b>				
Transfer to infrastructure revolving loan fund (2015 HB 1443)	50,000,000			
Transfer to medical facility infrastructure loan fund (2015 SB 2012)	50,000,000			

Transfer to school construction assistance loan fund (2015 SB 2039; 2017 SB 2272)	150,000,000		
<b>Highway Patrol</b>			
Equipment (2017 SB 2011)			358,000
<b>Department of Emergency Services</b>			
Mobile radios and programming radios (2017 SB 1016)			300,000
<b>Department of Corrections and Rehabilitation</b>			
Electronic medical records information technology project (2017 SB 2015)			935,907
<b>Adjutant General</b>			
Deficiency - Loan repayment (2017 HB 1024)	79,500		
<b>Department of Commerce</b>			
Enhanced use lease grant (2015 HB 1018; 2017 SB 2018)	7,500,000		2,000,000
Grants for domestic violence shelters (2015 HB 1285)	650,000		
Grant for unmanned aerial systems (2017 SB 2018)			2,000,000
Base retention grants (2017 SB 2018)			200,000
<b>Department of Agriculture</b>			
Transfer to environmental law impact review fund (2017 HB 1009)			1,000,000
<b>Main Research Center</b>			
Veterinary diagnostics laboratory (2015 HB 1020)	18,000,000		
<b>State Historical Society</b>			
Litigation expenses (2017 HB 1024)			294,500
<b>Department of Transportation</b>			
Short line railroad revolving loan fund (2015 HB 1012)	7,000,000		
Contingent transfer to highway fund (2015 SB 2015) <sup>6</sup>	0		
<b>Transfer to the general fund (2017 HB 1024)</b>	155,000,000		
<b>Mineral revenue repayments from reserves (2017 HB 1199; 2017 SB 2134)</b>			100,000,000
<b>Legal expense reimbursements from reserves (2017 SB 2134)</b>			750,000
<b>Administrative costs/other fees</b>	1,948,703		2,040,000
Total estimated expenditures and transfers		478,534,107	130,628,407
Estimated ending balance		\$354,338,865	\$498,526,901
Restricted fund income			
Reserve relating to potential title disputes (2017 HB 1199; 2017 SB 2134) <sup>2,7</sup>		142,325,049	41,826,605
Loan guarantees (2011 SB 2306; 2013 SB 2287) <sup>8</sup>		17,181,230	17,181,230
Estimated ending balance - Unobligated		\$194,832,586	\$439,519,066

<sup>1</sup>The amounts shown reflect projections by the Department of Trust Lands for the 2015-17 and 2017-19 bienniums.

<sup>2</sup>Senate Bill No. 2134 changes the definition of sovereign minerals, reducing the mineral revenue to the strategic investment and improvements fund and requiring repayments for previously received mineral revenues. House Bill No. 1199 also changes the definition of sovereign minerals, but the bill does not provide an appropriation for the repayments.

<sup>3</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast.



<sup>4</sup>House Bill No. 1176 (2015) increased the allocation of oil and gas gross production tax collections to counties decreasing the state's share, including the allocation to the strategic investment and improvements fund. House Bill No. 1377 (2015) amended North Dakota Century Code Section 57-51.1-07.5 to change the allocation of the state's share of oil and gas tax revenue so that during the 2015-17 biennium, the oil and gas tax revenue remaining after allocations to other state funds, are deposited 70 percent in the strategic investment and improvements fund and 30 percent in the political subdivision allocation fund. After the 2015-17 biennium, all of the oil and gas tax revenue remaining after allocations to other state funds are deposited in the strategic investment and improvements fund.

House Bill No. 1152 (2017) changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, resulting in a decrease in the allocations to the strategic investment and improvements fund. Senate Bill No. 2013 (2017) changes the allocations to hub cities, hub city school districts, the North Dakota outdoor heritage fund, the abandoned oil and gas well plugging and site reclamation fund, and the oil and gas impact grant fund resulting in an increase to the allocations under the state's share.

<sup>5</sup>The amount shown reflects the actual expenditures for the project. The appropriation was \$13,625,322, resulting in \$108,418 of unspent 2015-17 biennium appropriation authority being returned to the fund.

<sup>6</sup>Senate Bill No. 2015 (2015) provided a contingent transfer of \$25.85 million from the strategic investment and improvements fund to the highway fund and a contingent appropriation of \$25.85 million from the highway fund to the Department of Transportation for state highway investments. The \$25.85 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, exceed the legislative estimates for the same period by at least \$126 million, or if actual general fund revenues for the period beginning July 1, 2015, and ending June 30, 2016, exceed the legislative estimates for the same period by at least \$126 million. General fund revenues for the period beginning July 1, 2015, and ending December 31, 2015, did not exceed the legislative estimates.

<sup>7</sup>These amounts represent mineral revenues received from areas of the Yellowstone and Missouri Rivers and Lake Sakakawea where mineral rights are in dispute. Based on the outcome of legal settlements, these funds may need to be returned. Pursuant to action of the Board of University and School Lands, this portion of the fund balance is designated to be held in reserve pending the settlement of mineral ownership title disputes.

<sup>8</sup>Senate Bill No. 2306 (2011) increased the guarantee limit on the total value of all fuel production facility loans by \$15 million, from \$10 million to \$25 million. Money in the strategic investment and improvements fund is available to the Bank of North Dakota to maintain 25 percent of the guarantee reserve fund balance not to exceed a total of \$6.25 million. Senate Bill No. 2287 (2013) increased the guarantee reserve fund balance from 25 to 100 percent, not to exceed a total of \$25 million, through July 31, 2015. After July 31, 2015, the amount of reserves for all guaranteed loans must be determined by a formula that will provide an adequate amount of reserves as determined by the Bank. Money may be transferred from the strategic investment and improvements fund to reimburse lenders for guaranteed loans in default.

### **FUND HISTORY**

House Bill No. 1451 (2011) provided the lands and minerals trust fund be renamed the strategic investment and improvements fund, and as soon as feasible after June 30, 2011, the State Treasurer close out the lands and minerals trust fund and transfer any remaining unobligated balance to the strategic investment and improvements fund. 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 strategic investment and improvements fund, pursuant to Section 15-08.1-08. The principal and interest of the fund may be used for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. Money in the fund may be included in draft appropriation Acts under Section 54-44.1-06 and may be appropriated by the Legislative Assembly, but only to the extent the money is estimated to be available at the beginning of the biennium in which the appropriations are authorized.

Prior to July 1, 2015, if the unobligated balance of the strategic investment and improvements fund exceeded \$300 million at the end of any month, 25 percent of any revenues received for deposit in the strategic investment and improvements fund were deposited instead into the legacy fund in the subsequent month. In 2015 House Bill Nos. 1176 and 1377, the Legislative Assembly amended Section 15-08.1-08 to remove the provision related to the additional deposits of revenue in the legacy fund from the strategic investment and improvements fund. The unobligated balance in the fund is defined as the balance in the fund reduced by appropriations or transfers from the fund authorized by the Legislative Assembly, guarantee reserve fund requirements under Section 6-09.7-05, and any fund balance designated by the Board of University and School Lands relating to potential title disputes related to certain riverbed leases.

**ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING BOTH THE 1979 AND 1996 BOND RESOLUTIONS AND  
LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium <sup>1</sup>		2017-19 Biennium <sup>1</sup>	
		\$34,671,256		\$17,431,512
Beginning balance				
Add estimated revenues				
Fund earnings (net)	\$325,000 <sup>2</sup>		\$275,000 <sup>2</sup>	
Total revenues		325,000		275,000
Total available		\$34,996,256		\$17,706,512
Less estimated expenditures and transfers				
Funding for veterinary medical education program (2015 HB 1003; 2017 SB 2003)	\$465,307 <sup>3</sup>		\$465,307 <sup>4</sup>	
Funding for North Dakota University System information technology services (2015 HB 1003; 2017 SB 2003)	539,437 <sup>5</sup>		539,437 <sup>6</sup>	
Transfer to the North Dakota Guarantee Agency	10,000,000 <sup>7</sup>			
Funding for addiction counseling internship loans (2015 HB 1049)	200,000 <sup>8</sup>			
Funding for Dickinson State University transition (2015 HB 1003)	2,000,000 <sup>9</sup>			
Funding for tribal college assistance grants (2015 HB 1003; 2017 SB 2003)	500,000 <sup>10</sup>		500,000 <sup>10</sup>	
Funding for tribal college workforce development grants (2015 HB 1018; 2017 SB 2144)	1,000,000 <sup>11</sup>		500,000 <sup>11</sup>	
Funding for higher education challenge grants (2015 HB 1151; 2017 SB 2036)	2,500,000 <sup>12</sup>			
Funding for dental loan repayment program (2015 HB 1004 and SB 2015; 2017 SB 2004)	360,000 <sup>13</sup>		360,000 <sup>13</sup>	
Funding for dual-credit courses pilot program (2017 SB 2244)			200,000 <sup>14</sup>	
Funding for medical residency positions (2017 SB 2003)			11,806,856 <sup>15</sup>	
Total estimated expenditures and transfers		17,564,744		\$14,371,600
Estimated ending balance		\$17,431,512		\$3,334,912

<sup>1</sup>This analysis reflects the estimated revenues, expenditures, and ending balance for **both the 1979 and 1996 bond resolutions**. Prior to fiscal year 2012, permission was needed from the Ambac Assurance Corporation to use any assets from the 1996 bond resolution. There are no longer any bonds insured by the Ambac Assurance Corporation; however, there are outstanding bonds of \$1 million as of December 31, 2016. Debt service to bondholders has priority over all other transfers.

<sup>2</sup>The projected income for the 2015-17 and 2017-19 bienniums is based on interest rates as of December 31, 2016, and is net of the Industrial Commission and trustee expenses.

<sup>3</sup>The 2015 Legislative Assembly provided \$465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2013-15 biennium.

<sup>4</sup>Senate Bill No. 2003 (2017) includes \$465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2015-17 biennium.

<sup>5</sup>The 2015 Legislative Assembly provided \$539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2013-15 biennium.

<sup>6</sup>Senate Bill No. 2003 (2017) includes \$539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2015-17 biennium.

<sup>7</sup>Pursuant to the provisions of the 1996 bond resolution, the Industrial Commission authorized the transfer of \$10 million to the North Dakota Student Loan Guarantee Agency in September 2016 to maintain the reserve requirements and eliminate loan fees for alternative student loan guarantees relating primarily to DEAL One loans.

<sup>8</sup>The 2015 Legislative Assembly approved House Bill No. 1049, which provides \$200,000 of funding from the student loan trust fund for addiction counselor internship loans.

<sup>9</sup>The 2015 Legislative Assembly approved House Bill No. 1003, which includes \$2 million of one-time funding from the student loan trust fund for campus leadership transition needs at Dickinson State University.

<sup>10</sup>The 2015 Legislative Assembly approved House Bill No. 1003, which includes \$500,000 of funding from the student loan trust fund for grants to tribal colleges to assist in costs associated with the enrollment of nonbeneficiary students. 2017 Senate Bill No. 2003 includes \$500,000 of funding from the student loan trust fund for grants to tribal colleges to assist in costs associated with the enrollment of nonbeneficiary students, the same amount as provided for the 2015-17 biennium.

<sup>11</sup>The 2015 Legislative Assembly approved House Bill No. 1018, which includes \$1 million of one-time funding from the student loan trust fund for tribal college workforce development grants. Senate Bill No. 2144 (2017) includes \$500,000 of one-time funding from the student loan trust fund for tribal college workforce development grants.

<sup>12</sup>The 2015 Legislative Assembly approved House Bill No. 1151, which includes \$2.5 million of funding from the student loan trust fund for higher education challenge grants.

<sup>13</sup>The 2015 Legislative Assembly approved House Bill No. 1004 and Senate Bill No. 2015, which include \$360,000 of funding from the student loan trust fund for the dental loan repayment program. Senate Bill No. 2004 (2017) includes \$360,000 of funding from the student loan trust fund for the dental loan repayment program, the same amount as provided for the 2015-17 biennium.

<sup>14</sup>The 2017 Legislative Assembly approved Senate Bill No. 2244, which includes \$200,000 of funding from the student loan trust fund for a dual-credit courses pilot program.

<sup>15</sup>Senate Bill No. 2003 (2017), as amended by the House Appropriations Committee, includes \$11,806,856 of funding from the student loan trust fund for residency positions at the University of North Dakota School of Medicine and Health Sciences.

### **FUND HISTORY**

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

The student loan trust fund does not make loans to students or service loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust fund is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution--referred to as the 1996 bond resolution--includes funds from bonds issued in 1996, 1997, 1998, and 2000. All bond issuances prior to 2004 were insured by Ambac Assurance Corporation. There are no longer any outstanding bonds insured by Ambac Assurance Corporation.

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

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.

- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in the 1979 and 1996 bond resolutions have matured, been redeemed or defeased and all expenses paid, and the resolutions closed, any remaining assets held under the bond resolutions would be transferred to the Industrial Commission for use at its discretion and as allowed by law. As of December 31, 2016, \$1 million in bonds remains outstanding. In order to use assets held under the 1979 and 1996 general bond resolutions for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive a certification from the trustee of the bond (the Bank of North Dakota) that sufficient reserves remain for bond payments and other related program costs. Prior to 2012, permission needed to be obtained from Ambac Assurance Corporation for any use of assets held in the 1996 general bond resolution. However, there are no longer any bonds insured by Ambac Assurance Corporation.

North Dakota Century Code Section 54-17-25 provides the Industrial Commission may issue subordinate or residual bonds when the commission determines that it is appropriate or expedient to do so.

## ANALYSIS OF THE TAX RELIEF FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$657,000,000		\$300,000,000
Add estimated revenues				
Allocation of oil and gas tax revenues	\$300,000,000 <sup>1,2</sup>		\$300,000,000 <sup>3</sup>	
Total estimated revenues		300,000,000		300,000,000
Total available		\$957,000,000		\$600,000,000
Less estimated expenditures and transfers				
Transfer to general fund (Section 3 of 2015 SB 2015)	\$657,000,000			
Total estimated expenditures and transfers		657,000,000		0
Estimated ending balance		<u>\$300,000,000</u>		<u>\$600,000,000</u>

<sup>1</sup>Estimated revenues - These amounts reflect actual oil and gas tax revenue collections deposited in the fund through March 2017. The estimated allocations for the remainder of the 2015-17 biennium and the estimated allocations for the 2017-19 biennium are based on the March 2017 legislative revenue forecast, House Bill Nos. 1020 and 1152, and Senate Bill No. 2013.

<sup>2</sup>House Bill No. 1377 (2015) repealed North Dakota Century Code Sections 15.1-27-45 and 57-64-05 relating to the property tax relief sustainability fund and amended Section 57-51.1-07.5 to change the name of the property tax relief sustainability fund to the tax relief fund and changed the allocation of the state's share of oil and gas tax revenue to provide the following:

- The first \$200 million to the general fund;
- The next \$300 million to the tax relief fund;
- The next \$100 million to the general fund;
- The next \$100 million to the strategic investment and improvements fund;
- The next \$22 million to the state disaster relief fund if the amounts do not bring the unobligated balance of the fund to more than \$25 million;
- For the 2015-17 biennium, any remaining revenues are deposited:
  - 70 percent into the strategic investment and improvements fund; and
  - 30 percent into the political subdivision allocation fund; and
- After the 2015-17 biennium, any remaining revenues are deposited into the strategic investment and improvements fund.

<sup>3</sup>House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to change the allocation of the state's share of oil and gas tax revenue to provide the following:

- The first \$200 million to the general fund;
- The next \$300 million to the tax relief fund;
- The next \$100 million to the budget stabilization fund;
- The next \$200 million to the general fund;

- The next \$100 million, 80 percent to the strategic investment and improvements fund and 20 percent up to \$3 million deposited to the lignite research fund, and 100 percent to the strategic investment and improvements fund after the \$3 million cap for the lignite research fund has been met;
- The next \$20 million to the state disaster relief fund if the amounts do not bring the unobligated balance of the fund to more than \$20 million; and

Any additional revenues into the strategic investment and improvements fund.

#### **FUND HISTORY**

Section 57-64-05, as created by 2009 Senate Bill No. 2199, created the property tax relief sustainability fund for property tax relief programs, pursuant to legislative appropriation. Senate Bill No. 2199 provided an initial transfer of \$295 million from the permanent oil tax trust fund to the property tax relief sustainability fund. Chapter 57-51.1 provided for an allocation of the state's share of oil and gas tax revenues of \$341.79 million each biennium to the property tax relief sustainability fund.

Section 15.1-27-45, as created by Section 40 of 2013 House Bill No. 1013, changed the name of the property tax relief sustainability fund to the property tax relief fund, but only for the 2013-15 biennium. House Bill No. 1377 (2015) repealed Sections 15.1-27-45 and 57-64-05 and amended Section 57-51.1-07.5 to change the name of the property tax relief sustainability fund to the tax relief fund and decreased the amount of the state's share of oil and gas tax revenue deposited in the fund from \$341.79 million per biennium to \$300 million per biennium.

**ANALYSIS OF THE TOBACCO PREVENTION AND CONTROL TRUST FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$49,341,421		\$55,897,620
Add estimated revenues				
Tobacco settlement revenues collected to date	\$11,480,889 <sup>1</sup>			
Projected tobacco settlement revenues	11,480,889 <sup>2</sup>		\$0 <sup>2</sup>	
Investment and miscellaneous revenue	142,460 <sup>3</sup>		142,460 <sup>3</sup>	
Total estimated revenues		23,104,238 <sup>4</sup>		142,460 <sup>4</sup>
Total available		\$72,445,659		\$56,040,080
Less estimated expenditures and transfers				
Tobacco Prevention and Control Executive Committee:				
Expenditures pursuant to 2015 HB 1024	\$16,548,039 <sup>5</sup>		\$0 <sup>5</sup>	
State Department of Health (2017 SB 2004):				
Local public health unit grants			\$2,000,000	
Cancer programs			644,804	
Stroke and cardiac care programs			756,418	
Physician loan repayment program			480,000	
Behavioral health loan repayment program			243,640	
Tobacco prevention and control program, including cessation products and grants to local public health units for tobacco prevention and control			8,453,333	
Domestic violence offender treatment grants			300,000	
Department of Human Services (2017 HB 1012):				
Medicaid grants			15,000,000	
Behavioral health services			21,000,000	
Tobacco prevention-related activities			75,000	
Opioid treatment			1,704,159	
Total estimated expenditures and transfers		16,548,039		50,657,354
Estimated ending balance		\$55,897,620		\$5,382,726

<sup>1</sup>As of March 2017 the state has received tobacco settlement payments totaling \$31,947,333 for the 2015-17 biennium, of which \$20,466,444 was deposited in the tobacco settlement trust fund and \$11,480,889 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$495,923,569, including \$387,862,947 under subsection IX(c)(1) of the Master Settlement Agreement and \$108,060,622 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$495,923,569, \$401,660,676 has been deposited into the tobacco settlement trust fund and \$94,262,893 has been deposited into the tobacco prevention and control trust fund.

<sup>2</sup>Tobacco prevention and control trust fund revenues have been estimated based on actual revenues received through March 2017 and legislative projections for the 2017-19 biennium. The 2017-19 revenues do not include a deposit in the tobacco prevention and control trust fund because the final payment under subsection IX(c)(2) of the Master Settlement Agreement is anticipated in April 2017.

<sup>3</sup>In August 2015 the Tobacco Prevention and Control Executive Committee entered into an agreement with the State Investment Board to provide investment management services for the tobacco prevention and control trust fund. On September 30, 2015, the Tobacco Prevention and Control Executive Committee transferred \$47.3 million to the State Investment Board for management. The investment policy statement adopted by the executive committee includes an asset

mix of 75 percent global fixed income, 10 percent global equity, and 15 percent cash. Estimated investment income reflects earnings and realized gains, but does not include changes in the market value of the investments.

<sup>4</sup>Initiated Measure No. 3, approved in the November 2008 general election, provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under North Dakota Century Code Section 54-27-25 may only be spent pursuant to legislative appropriations. **Senate Bill No. 2024, as approved by the 2017 Legislative Assembly and signed by the Governor, repeals the Tobacco Prevention and Control Executive Committee and removes its authority to use funding from the water development trust fund for the comprehensive plan.**

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The executive recommendation for the 2017-19 biennium did not include a transfer from the tobacco settlement trust fund to the common schools trust fund, but rather provided for a transfer of 45 percent of the revenue to the general fund. This recommendation requires statutory changes to Section 54-27-25 and is not included in proposed legislation as of April 10, 2017. Therefore, the following are estimated allocations of tobacco settlement payments through 2025, as of April 10, 2017:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million <sup>1</sup>	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million <sup>1</sup>	N/A	\$0	18.0 million	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$0	\$189.9 million	\$189.9 million	\$42.3 million

<sup>1</sup>This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

<sup>5</sup>The 2015 Legislative Assembly appropriated \$16,548,039 from the tobacco prevention and control trust fund to the Tobacco Prevention and Control Executive Committee for the purpose of providing a level of funding that will meet the annual level recommended by the federal Centers for Disease Control and Prevention for North Dakota as published in its *Best Practices for Comprehensive Tobacco Control Programs* for the 2015-17 biennium. The executive recommendation did not include funding for the Tobacco Prevention and Control Executive Committee during the 2017-19 biennium. **Senate Bill No. 2024, as approved by the 2017 Legislative Assembly and signed by the Governor, does not include funding for the Tobacco Prevention and Control Executive Committee and provides for the repeal of Chapter 23-42, related to the tobacco prevention and control program, and statutory changes to Section 54-27-25.**

#### FUND HISTORY

The tobacco prevention and control trust fund was created as a result of voter approval of Initiated Measure No. 3 in the November 2008 general election. The measure added seven new sections to Century Code and amended Section 54-27-25 to establish the Tobacco Prevention and Control Advisory Committee and an executive committee, develop and fund a comprehensive statewide tobacco prevention and control plan, and create a tobacco prevention and control trust fund to receive tobacco settlement dollars to be administered by the executive committee. The measure provides for the advisory committee, appointed by the Governor, to develop the initial comprehensive plan and select an executive committee responsible for the implementation and administration of the comprehensive plan. The initiated measure became effective 30 days after the election (December 4, 2008).



Tobacco settlement payments received by the state under the Master Settlement Agreement are derived from two subsections of the Master Settlement Agreement. Subsection IX(c)(1) of the Master Settlement Agreement provides payments on April 15, 2000, and on April 15 of each year thereafter in perpetuity, while subsection IX(c)(2) of the Master Settlement Agreement provides for additional strategic contribution payments that began on April 15, 2008, and continue each April 15 thereafter through 2017. Section 54-27-25, created by 1999 House Bill No. 1475, did not distinguish between payments received under the separate subsections of the Master Settlement Agreement and provided for the deposit of all tobacco settlement money received by the state into the tobacco settlement trust fund. Money in the fund, including interest, is transferred within 30 days of deposit in the fund as follows:

- 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 measure provides for a portion of tobacco settlement dollars received by the state to be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement will continue to be deposited in the tobacco settlement trust fund and allocated 10 percent to the community health trust fund (with 80 percent used for tobacco prevention and control), 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. **Senate Bill No. 2004, as of April 10, 2017, includes amendments to Section 54-27-25 to remove the 80 percent restriction on transfers to the community health trust fund.** Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement will be deposited into the tobacco prevention and control trust fund. Interest earned on the balance in this fund will be deposited in the fund. The fund will be administered by the executive committee created by the measure for the purpose of creating and implementing the comprehensive plan. **The executive recommendation did not include funding for the Tobacco Prevention and Control Executive Committee during the 2017-19 biennium and recommended repealing Chapter 23-42 related to the Tobacco Prevention and Control Executive Committee. Senate Bill No. 2024, as approved by the 2017 Legislative Assembly and signed by the Governor, includes the repeal of Chapter 23-42 and statutory changes to Section 54-27-25.**

The measure also provides if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the executive committee to adequately provide for the comprehensive plan. The Legislative Assembly, in Section 39 of 2009 House Bill No. 1015, provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation. **Senate Bill No. 2024, as approved by the 2017 Legislative Assembly and signed by the Governor, repeals the Tobacco Prevention and Control Executive Committee and removes their authority to use funding from the water development trust fund for the comprehensive plan.**

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

## ANALYSIS OF THE TOBACCO SETTLEMENT TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$0		\$0
Add estimated revenues				
Tobacco settlement revenues collected to date	\$20,466,444 <sup>1</sup>		\$40,200,000	
Projected tobacco settlement revenues	\$20,000,000			
Total estimated revenues		40,466,444 <sup>2</sup>		40,200,000 <sup>2</sup>
Total available		\$40,466,444 <sup>3,4</sup>		\$40,200,000 <sup>3,4</sup>
Less estimated expenditures and transfers				
Attorney General - Tobacco settlement agreement costs (2015 SB 2003; 2017 HB 1003)	\$200,000 <sup>5</sup>		\$200,000 <sup>5</sup>	
Transfers to the community health trust fund	4,026,644		4,000,000	
Transfers to the common schools trust fund	18,119,900		18,000,000	
Transfers to the water development trust fund	18,119,900		18,000,000	
Total estimated expenditures and transfers		40,466,444 <sup>4</sup>		40,200,000 <sup>4</sup>
Estimated ending balance		\$0		\$0

<sup>1</sup>As of March 2017 the state has received tobacco settlement payments totaling \$31,947,333 for the 2015-17 biennium, of which \$20,466,444 was deposited in the tobacco settlement trust fund and \$11,480,889 was deposited in the tobacco prevention and control trust fund. To date, the state has received total tobacco settlement collections of \$495,923,569, including \$387,862,947 under subsection IX(c)(1) of the Master Settlement Agreement and \$108,060,622 under subsection IX(c)(2) of the Master Settlement Agreement. Of the \$495,923,569, \$401,660,676 has been deposited into the tobacco settlement trust fund and \$94,262,893 has been deposited into the tobacco prevention and control trust fund.

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

In the November 2008 general election, voters approved Initiated Measure No. 3 that amends Section 54-27-25 to provide a portion of tobacco settlement funds received by the state be deposited in the newly created tobacco prevention and control trust fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, which began in 2008 and continues through 2017, was deposited beginning in 2009 in the tobacco prevention and control trust fund. The amount received under subsection IX(c)(2) of the Master Settlement Agreement for 2008 was \$13,797,729, which, because it was received prior to passage of the measure, was allocated pursuant to Section 54-27-25 prior to amendment.

Tobacco settlement trust fund revenues have been estimated based on actual revenues received through March 2017 and legislative estimates for the 2017-19 biennium and do not include anticipated strategic contribution payments, which expire after 2017.

<sup>3</sup>In 2006 certain tobacco companies began reducing their tobacco settlement payments to North Dakota contending that the Master Settlement Agreement allows for the payments to be reduced if they lose sales to small cigarette makers that did not participate in the agreement and if states do not enforce laws intended to make smaller tobacco companies set aside money for legal claims. The Attorney General's office has filed a lawsuit against the tobacco companies to collect the full payment. The total original estimated tobacco settlement collections, including payments to be received under both subsection IX(c)(1) and subsection IX(c)(2) of the Master Settlement Agreement, and the total actual and estimated collections as revised by the Office of Management and Budget are:

Biennium	1999 Original Estimated Collections	Actual and Office of Management and Budget Revised Estimated Collections
1999-2001	\$57,593,770	\$52,900,784
2001-03	61,143,578	53,636,363
2003-05	51,271,214	46,310,010
2005-07	51,271,214	43,828,118
2007-09	82,231,080	75,633,409
2009-11	82,231,080	64,013,596
2011-13	82,231,080	63,035,245
2013-15	82,231,080	64,618,711
2015-17	82,231,080	63,428,222
2017-19	58,591,490	40,200,000
2019-21	58,591,490	52,503,832
2021-23	58,591,490	52,503,832
2023-25	58,591,490	52,503,832
Total	\$866,801,136	\$725,115,954

<sup>4</sup>Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The following are estimated allocations of tobacco settlement payments through 2025, as of April 10, 2017:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million <sup>1</sup>	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million <sup>1</sup>	N/A	\$0	18.0 million	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Total	\$528.3 million	\$105.8 million	\$0	\$189.9 million	\$189.9 million	\$42.3 million

<sup>1</sup>This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

<sup>5</sup>The 2015 Legislative Assembly in Senate Bill No. 2003 amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

## FUND HISTORY

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 its deposit in the fund:

- 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.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in a new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement, relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund.

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the Master Settlement Agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement.

**ANALYSIS OF THE STATE TUITION FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$2,070,163 <sup>1</sup>		\$1,350,197 <sup>1</sup>
Add estimated revenues				
Fines for violation of state laws	\$12,280,034 <sup>2</sup>		\$12,000,000 <sup>2</sup>	
Transfer from the public instruction fund (2017 HB 1013)			4,282,905 <sup>3</sup>	
Transfers from the common schools trust fund	206,134,000		288,264,000	
Total estimated revenues		218,414,034		304,546,905
Total available		\$220,484,197		\$305,897,102
Less estimated expenditures and transfers				
State aid to schools (2015 SB 2013; 2017 HB 1013)	\$219,134,000		\$305,546,905 <sup>3</sup>	
Total estimated expenditures and transfers		219,134,000		305,546,905
Estimated ending balance		\$1,350,197 <sup>1</sup>		\$350,197 <sup>1</sup>

<sup>1</sup>Beginning/ending balance - North Dakota Century Code Section 15.1-28-03 provides for the distribution of money in the state tuition fund in August, September, October, November, December, January, February, March, and April of each fiscal year. Fine proceeds deposited in the state 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 - Fine proceeds estimated to be deposited in the state tuition fund during the 2015-17 biennium are based on actual fines deposited into the fund through March 2017 and legislative estimates for the remainder of the biennium. Fine proceeds estimated to be deposited in the state tuition fund during the 2017-19 biennium are revised estimates based on actual collections through March 2017. The amount of state tuition fund distributions from fine proceeds is shown below.

Fiscal Year	Revenue From Fines	Percentage Increase (Decrease) From Previous Year
1998	\$3,384,890 (actual)	N/A
1999	\$3,818,890 (actual)	12.8%
2000	\$4,866,644 (actual)	27.4%
2001	\$4,241,256 (actual)	(12.9%)
2002	\$4,778,756 (actual)	12.7%
2003	\$4,607,423 (actual)	(3.6%)
2004	\$4,721,407 (actual)	2.5%
2005	\$4,507,137 (actual)	(4.5%)
2006	\$4,506,316 (actual)	(0.01%)
2007	\$4,590,395 (actual)	1.9%
2008	\$4,692,048 (actual)	2.2%
2009	\$4,452,118 (actual)	(5.1%)
2010	\$4,593,325 (actual)	3.2%
2011	\$4,963,691 (actual)	8.1%
2012	\$5,769,861 (actual)	16.2%
2013	\$6,158,750 (actual)	6.7%
2014	\$6,844,632 (actual)	11.1%
2015	\$7,655,890 (actual)	11.9%
2016	\$6,945,206 (actual)	(9.3%)
2017	\$5,334,828 (estimate)	(23.2%)
2018	\$5,750,000 (estimate)	7.8%
2019	\$6,250,000 (estimate)	8.7%

<sup>3</sup>Section 15.1-28-01 provides distributions received from the common schools trust fund must be paid into the state treasury and, with the net proceeds of fines for the violation of state laws, constitute the state tuition fund. In 2013 the Legislative Assembly appropriated \$140,326,000 from the state tuition fund for state school aid payments during the 2013-15 biennium. In addition, Section 4 of 2013 House Bill No. 1013 provided that any money available in the state tuition fund in excess of the \$140,326,000 is appropriated to the Department of Public Instruction for distribution to school districts. However, the 2013 Legislative Assembly suspended Section 15.1-27-22.1 relating to the payment of excess funds appropriated for state school aid and, in 2015, Section 15.1-27-22.1 was repealed. During the 2013-15 biennium, common schools trust fund distributions deposited into the department's operating fund of \$130,326,000 and transfers from the state tuition fund to the department's operating fund of \$14,282,905 totaled \$144,608,905, \$4,282,905 more than appropriated from the state tuition fund for state school aid during the 2013-15 biennium. The funding in excess of the \$140,326,000 appropriated for state school aid of \$4,282,905 remained in the department's operating account at the end of the 2013-15 biennium instead of the state tuition fund. House Bill No. 1013 (2017) provides for a transfer of \$4,282,905 from the Department of Public Instruction operating account to the state tuition fund and includes the funding in the total appropriated from the state tuition fund for state school aid during the 2017-19 biennium.

### FUND HISTORY

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

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

Section 15.1-28-01 provides the state tuition fund consists of the net proceeds from all fines for violation of state laws and leasing of school lands (included in transfers from the common schools trust fund) and the interest income from the common schools trust fund. Section 15.1-28-03 directs the Office of Management and Budget, on or before the third Monday in January, February, March, April, August, September, October, November, and December of each year, to certify to the Superintendent of Public Instruction the amount of the state tuition fund. Prior to the 2007-09 biennium, the Superintendent apportioned the money in the state tuition fund among the school districts in the state based on the number of school-age children in the district. The Legislative Assembly, in 2007 Senate Bill No. 2200, consolidated funding for the state school aid program, including per-student payments, teacher compensation payments, special education average daily membership payments, revenue supplemental payments, and tuition apportionment payments, into a new state school aid funding formula with a new distribution methodology; therefore, beginning with the 2007-09 biennium, the Superintendent includes the money in the state tuition fund in state school aid payments to school districts as determined by Chapter 15.1-27.

**ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND  
FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(INCLUDING PROPOSED CHANGES AS OF APRIL 10, 2017)**

	2015-17 Biennium		2017-19 Biennium	
Beginning balance		\$5,557,773 <sup>1</sup>		\$5,663,412
Add estimated revenues and other funds available for benefits				
Investment income and increases in market value	\$425,000 <sup>2</sup>		\$425,000 <sup>2</sup>	
Total deposits, estimated revenues, and other increases in market value		425,000		425,000
Total available		\$5,982,773		\$6,088,412
Less estimated expenditures and transfers				
Grants and related expenditures	\$225,429			
Veterans' transportation programs	4,609			
Other veterans' programs	3,693			
Remaining funds available for programs that benefit veterans	85,630 <sup>3</sup>		\$225,000 <sup>4</sup>	
Total estimated expenditures and transfers		319,361 <sup>3</sup>		225,000 <sup>4</sup>
Estimated ending balance		\$5,663,412		\$5,863,412

<sup>1</sup>Revenue from the sale of vans during the 2013-15 biennium (\$14,000), miscellaneous revenue and short-term interest (\$657) and unspent funding available from the 2009-11 and 2013-15 bienniums (\$29,841) is available for programs during the 2015-17 biennium and is included in this beginning balance.

<sup>2</sup>The State Treasurer has not provided investment income estimates for the 2015-17 or 2017-19 bienniums. Investment income for the 2015-17 and 2017-19 bienniums are estimated based on the average income and change in the fund value, biennium to date through February 2017. See footnote 4 below regarding income available for benefits.

<sup>3</sup>Prior to July 2011, North Dakota Century Code Section 37-14-14 appropriated on a continuing basis all income of the veterans' postwar trust fund to the Administrative Committee on Veterans' Affairs for programs that benefit veterans or their dependents. The Legislative Assembly in 2011 House Bill No. 1468 amended Section 37-14-14 to provide that all income earned in a biennium is appropriated to the Administrative Committee on Veterans' Affairs on a continuing basis in the following biennium, and not in the biennium in which it is earned, for authorized programs. Therefore, the investment income earned by the fund during the 2015-17 biennium will not be available for programs until the 2017-19 biennium. Funds available for benefits during the 2015-17 biennium totaled \$319,361, of which \$274,576 is from income earned on the fund during the 2013-15 biennium. Remaining funds available consisted of unspent funds available from prior bienniums, proceeds from van sales, miscellaneous revenue, and short-term interest.

<sup>4</sup>Pursuant to provisions of 2011 House Bill No. 1468, investment income earned during the 2015-17 biennium is not available for program expenditures until the 2017-19 biennium. Estimated funds available for benefits during the 2017-19 biennium total approximately \$225,000 based on average monthly payable income earned through February 2017.

**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:

- Established the veterans' postwar trust fund as a permanent fund.
- Required the State Treasurer to transfer \$740,000 per year for 5 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 \$3.7 million.
- 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 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 2<sup>nd</sup> 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 included \$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 Constitution of North Dakota:

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.

#### **2011 House Bill No. 1468**

The Legislative Assembly in House Bill No. 1468 amended Section 37-14-14 to provide that all income earned in a biennium is appropriated to the Administrative Committee on Veterans' Affairs on a continuing basis in the following biennium, and not in the biennium in which it is earned, for authorized programs.

#### **2013 House Bill No. 1439**

The Legislative Assembly in House Bill No. 1439 provided \$250,000 from the general fund to increase the principal balance of the veterans' postwar trust fund.



## ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH APRIL 10, 2017)

	2015-17 Biennium		2017-19 Biennium	
	Beginning balance		\$26,929,728	
Add estimated revenues				
Transfers to date from tobacco settlement trust fund	\$9,119,900 <sup>1</sup>			
Projected remaining transfers from tobacco settlement trust fund	9,000,000 <sup>2</sup>		18,000,000 <sup>2</sup>	
Total estimated revenues		18,119,900 <sup>2</sup>		18,000,000 <sup>2</sup>
Total available		\$45,049,628		\$50,449,628
Less estimated expenditures and transfers				
Bank of North Dakota loan repayment			\$7,500,000 <sup>4</sup>	
Water projects (2015 SB 2020; 2017 HB 1020)	\$12,600,000 <sup>3</sup>		\$34,949,628 <sup>5</sup>	
Total estimated expenditures and transfers		12,600,000		42,449,628
Estimated ending balance		\$32,449,628		\$8,000,000

<sup>1</sup>As of March 2017, \$9,119,900 has been transferred from the tobacco settlement trust fund for the 2015-17 biennium. Total transfers of \$180,657,304 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 deposited in the general fund. Water development trust fund revenues have been estimated based on actual revenues received through March 2017 and legislative projections for the 2017-19 biennium, net of funds appropriated from the tobacco settlement trust fund to the Attorney General's office for the enforcement of the Master Settlement Agreement and related disputes.

Initiated Measure No. 3 (2008) resulted in the following allocation of the revised estimated collections for tobacco settlement payments through 2025. The following are estimated allocations of tobacco settlement payments through 2025, as of April 10, 2017:

	Actual and Estimated Total Tobacco Settlement Proceeds, Net of Attorney General Costs	Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(2) Deposited in the Tobacco Prevention and Control Trust Fund	Allocation of Actual and Estimated Payments Under Master Settlement Agreement Subsection IX(c)(1)			
			General Fund	Common Schools Trust Fund	Water Development Trust Fund	Community Health Trust Fund
Actual payment April 2008	\$36.4 million	N/A		\$16.4 million	\$16.4 million	\$3.6 million
Actual payment April 2009	39.2 million	\$14.1 million		11.3 million	11.3 million	2.5 million
Actual payments 2009-11 biennium	64.0 million	23.5 million		18.2 million	18.2 million	4.1 million
Actual payments 2011-13 biennium	63.0 million	22.8 million		18.1 million	18.1 million	4.0 million
Actual payments 2013-15 biennium	64.6 million	22.4 million		19.0 million	19.0 million	4.2 million
Estimated 2015-17 biennium	63.4 million <sup>1</sup>	23.0 million		18.1 million	18.1 million	4.0 million
Estimated 2017-19 biennium	40.2 million <sup>1</sup>	N/A	\$0	18.0 million	18.0 million	4.0 million
Estimated 2019-21 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2021-23 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
Estimated 2023-25 biennium	52.5 million	N/A		23.6 million	23.6 million	5.3 million
<b>Total</b>	<b>\$528.3 million</b>	<b>\$105.8 million</b>	<b>\$0</b>	<b>\$189.9 million</b>	<b>\$189.9 million</b>	<b>\$42.3 million</b>

<sup>1</sup>This amount includes \$200,000 made available from the tobacco settlement trust fund to the Attorney General for enforcement of the Master Settlement Agreement and any disputes with the agreement.

<sup>3</sup>Sections 1 and 5 of 2015 Senate Bill No. 2020 appropriate \$34.5 million, or any additional funding that becomes available, from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium. The State Water Commission is making the loan payments on the Bank of North Dakota loan from the resources trust fund; therefore, funding in the water development trust fund is available for water projects.

<sup>4</sup>Section 1 of 2017 House Bill No. 1020 appropriates \$7.5 million from the water development trust fund for loan payments on outstanding bonds that were refinanced during the 2015-17 biennium with the Bank of North Dakota.

<sup>5</sup>Sections 1 and 4 of 2017 House Bill No. 1020 appropriate \$34,949,628, or any additional funding that becomes available from the water development trust fund for the purpose of defraying the expenses of the State Water Commission for the 2017-19 biennium.

### FUND HISTORY

Section 54-27-25, created by 1999 House Bill No. 1475, establishes 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 its deposit in the fund:

- 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.

In the November 2008 general election, voters approved Initiated Measure No. 3 that amended Section 54-27-25 to establish a tobacco prevention and control trust fund. The measure provides for a portion of tobacco settlement funds received by the state to be deposited in this new fund rather than the entire amount in the tobacco settlement trust fund. Tobacco settlement money received under subsection IX(c)(1) of the Master Settlement Agreement, which continues in perpetuity, will continue to be deposited into the tobacco settlement trust fund and 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. Tobacco settlement money received under subsection IX(c)(2) of the Master Settlement Agreement relating to strategic contribution payments, which began in 2008 and continue through 2017, began to be deposited in 2009 into the newly created tobacco prevention and control trust fund. The measure also provides that if in any biennium the tobacco prevention and control trust fund does not have adequate funding for the comprehensive plan, money may be transferred from the water development trust fund to the tobacco prevention and control trust fund in an amount determined necessary by the Tobacco Prevention and Control Executive Committee to adequately provide for the comprehensive plan. The Legislative Assembly in Section 39 of 2009 House Bill No. 1015 provided any money deposited in the water development trust fund under Section 54-27-25 may only be spent pursuant to legislative appropriation. **Senate Bill No. 2024, as approved by the 2017 Legislative Assembly and signed by the Governor, repeals the Tobacco Prevention and Control Executive Committee and removes their authority to use funding from the water development trust fund for the comprehensive plan.**

The tobacco settlement payment received by the state in April 2008 was the first payment that included funds relating to subsection IX(c)(2) of the agreement. This payment was received prior to the approval of the measure and was deposited in the tobacco settlement trust fund and disbursed as provided for in Section 54-27-25 prior to amendment by the measure. In 2009 tobacco settlement payments began to be deposited in the tobacco settlement trust fund and the tobacco prevention and control trust fund pursuant to Section 54-27-25 as amended by the measure.

Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides 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.

The Legislative Assembly, in 2015 Senate Bill No. 2003, amended Section 54-27-25 relating to the tobacco settlement trust fund to provide the principal and interest of the fund may be appropriated to the Attorney General for the enforcement of the Master Settlement Agreement and any disputes with the agreement. Appropriations made to the Attorney General for enforcement of the Master Settlement Agreement reduce the amount available for transfer from the tobacco settlement trust fund to the water development trust fund.