

Budget Stabilization Fund Status Statement

	2011-13	2013-15		2015-17
	Actual ¹	Legislative Appropriation	Revised Estimate	Executive Budget
Beginning Balance	\$386,351,110	\$583,545,799	\$583,545,799 ¹²	\$687,095,131
Revenue:				
Retention of earnings to increase balance	\$16,134,104 ¹³	\$0	\$0	\$0
Transfer from general fund	181,060,585 ¹⁴	0	103,549,332 ¹⁵	0
Total revenue	\$197,194,689	\$0	\$103,549,332	\$0
Transfers:				
Transfers to general fund	\$0	\$0	\$0 ¹⁶	\$0 ¹⁶
Ending Balance	\$583,545,799	\$583,545,799	\$687,095,131	\$687,095,131

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- ¹ Final revenues and expenditures per state accounting system reports dated June 30, 2013.
- ² Actual July 1, 2013 balance.
- ³ The 2011 legislature, during the 2011 special session, increased general fund appropriations for the 2011-13 biennium, resulting in a \$16.1 million increase in the maximum balance of the budget stabilization fund. As a result, interest and investment earnings of the fund which would otherwise be transferred to the general fund will be retained in the fund until the new cap is reached.
- ⁴ Transfer from the general fund based on appropriations for the 2013-15 biennium and the provisions of NDCC Section 54-27.2-01 requiring a transfer sufficient to bring the balance of the fund to 9.5 percent of appropriations.
- ⁵ Estimated transfer from the general fund based on recommended appropriations for the 2015-17 biennium and the provisions of NDCC Section 54-27.2-01 requiring a transfer sufficient to bring the balance of the fund to 9.5 percent of appropriations.
- ⁶ No transfers from the budget stabilization fund to the general fund are anticipated during the 2013-15 or 2015-17 bienniums. Transfers will only take place if actual general fund collections fall short of revenue projections, as provided in Section 54-27.2-03.

Notes:

The budget stabilization fund is a statutory fund created in 1987. Section 54-27.2-02 provides that any end of biennium balance in the general fund in excess of \$65.0 million be transferred to the budget stabilization fund, subject to the provisions of Section 54-27.2-01.

Pursuant to Section 54-27.2-01, the fund is limited to no more than 9.5 percent of current biennium appropriations. Any deposits or interest that would otherwise be deposited or retained in the fund must instead be deposited in the general fund once the maximum balance is reached.

Section 54-27.2-03 provides that if general fund revenues are projected to be at least 2.5 percent less than included in the legislative revenue forecast, the Governor may order a transfer from the budget stabilization fund to the general fund.

Foundation Aid Stabilization Fund Status Statement

	2011-13 Actual ¹	2013-15		2015-17 Executive Budget
		Legislative Appropriation	Revised Estimate	
Beginning Balance	\$140,193,764	\$334,082,246	\$335,364,942 ²	\$667,447,813
Revenue:				
Oil extraction tax allocations	\$195,171,178	\$282,106,675	\$332,082,871 ³	\$436,224,852 ⁴
Transfers:				
Transfer to state school aid program	\$0	\$0	\$0	\$0
Ending Balance	\$335,364,942	\$616,188,921	\$667,447,813	\$1,103,672,665

¹ Final revenues and expenditures per state accounting system reports, dated June 30, 2013.

² Actual July 1, 2013 balance.

³ Based on actual revenues through October 31, 2014, and estimated revenues for the remainder of the biennium using the November 2014 executive revenue forecast.

⁴ Revenue estimates based on the November 2014 executive revenue forecast, which assumes oil prices of \$76.25 per barrel and 1,278,333 barrels of oil per day (BOPD) for FY 2016; and average price of \$80.50 per barrel and 1,387,083 BOPD for FY 2017.

Notes:

The foundation aid stabilization fund was created in 1994 upon voter approval of Article X, Section 24 of the Constitution of North Dakota. Section 24 provides that 20% of oil extraction taxes are to be allocated as follows:

- 50% to the common schools trust fund
- 50% to the foundation aid stabilization fund

Section 24 also provides that interest from the foundation aid stabilization fund must be transferred to the general fund; the principal can only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that in the case of an allotment, all agencies that receive monies from a fund must be allotted on a uniform basis. The exception is 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.

Legacy Fund Status Statement

	2011-13	2013-15		2015-17
	Actual	Legislative Appropriation	Revised Estimate	Executive Budget
Beginning Balance	\$0	\$1,258,456,566	\$1,280,714,486 ^{\1}	\$3,612,434,180
Revenue:				
Transfers from oil and gas taxes	\$1,271,057,344	\$1,670,747,382	\$2,191,962,941 ^{\2}	\$2,574,125,517 ^{\2}
Transfer from SII fund	\$7,356,917	16,669,800	34,756,753 ^{\3}	31,222,080 ^{\3}
Interest on investment	2,300,225	19,380,000	105,000,000 ^{\4}	134,000,000 ^{\4}
Total revenue	<u>\$1,280,714,486</u>	<u>\$1,706,797,182</u>	<u>\$2,331,719,694</u>	<u>\$2,739,347,597</u>
Expenditures:				
Legislative appropriations	\$0	\$0	\$0	\$0 ^{\5}
Ending Balance	<u>\$1,280,714,486</u>	<u>\$2,965,253,748</u>	<u>\$3,612,434,180</u>	<u>\$6,351,781,777</u>

^{\1} Actual July 1, 2013 balance.

^{\2} Revenue estimate based on actual collections through October 2014 and the November 2014 executive revenue forecast for oil price and production.

^{\3} Pursuant to HB1451 (2011), once the unobligated balance in the strategic investment and improvements (SII) fund reaches \$300.0 million, 25.0 percent of fund revenues must be deposited into the legacy fund. Oil and gas taxes amounts reflected on this schedule include the legacy fund's estimated 25.0 percent share starting in February 2013 and continuing through the end of the 2013-15 biennium. The amount shown as the anticipated transfer from the SII fund represents 25.0 percent of SII fund revenues other than oil and gas taxes estimated to be received after the unobligated fund balance exceeds the \$300.0 million threshold.

^{\4} Investment earnings estimated by Retirement and Investment Office assuming average monthly revenue deposits of \$75.0 million and average annual earnings of 1.5 percent.

^{\5} Based on ND Constitution Article X, Section 26, no expenditures of principal or interest may be made from the fund until after June 30, 2017.

Notes:

House Concurrent Resolution No. 3054 was adopted by the 2009 legislature and approved by the voters in November 2010. This measure establishes the North Dakota legacy fund as a constitutional trust fund. Thirty percent of all revenue collected by the state from oil and gas production and extraction taxes is transferred to the fund. Interest and investment earnings are retained in the fund until June 30, 2017, after which time they will be transferred to the general fund once each biennium. For the 2011-13 through 2015-17 bienniums, interest earnings will be added to the fund principal.

Property Tax Relief Fund Status Statement

	2011-13	2013-15		2015-17
	Actual ^{\1}	Legislative Appropriation	Revised Estimate	Executive Budget
Beginning Balance	\$295,000,000	\$341,790,000	\$341,790,000 ^{\2}	\$657,000,000
Revenue:				
Transfers from the general fund		\$315,210,000	\$315,210,000 ^{\3}	
Allocation of oil tax revenue	341,790,000	341,790,000	341,790,000	341,790,000
Total revenue	<u>\$341,790,000</u>	<u>\$657,000,000</u>	<u>\$657,000,000</u>	<u>\$341,790,000</u>
Expenditures:				
Transfer to the general fund for property tax relief	(295,000,000)	(341,790,000)	(341,790,000) ^{\4}	(657,000,000)
Total expenditures	<u>(\$295,000,000)</u>	<u>(\$341,790,000)</u>	<u>(\$341,790,000)</u>	<u>(\$657,000,000)</u>
Ending Balance	\$341,790,000	\$657,000,000	\$657,000,000	\$341,790,000

^{\1} Final revenues and expenditures per state accounting system reports dated June 30, 2013.

^{\2} Actual July 1, 2013 balance.

^{\3} Section 3 of 2013 HB1015 provides for a one-time transfer from the general fund to the Property Tax Relief Fund to set aside money for continuation of property tax relief programs during the 2015-17 biennium.

^{\4} Section 5 of 2013 HB1013 provides for a transfer from the Property Tax Relief Fund to the general fund for property tax relief programs enacted by the 2013 legislature. For the 2013-15 biennium, property tax relief is provided through the integrated school funding formula (HB1013) and through a state-paid property tax credit program (SB2036).

Notes:

The property tax relief sustainability fund was created by the 2009 Legislative Assembly to set aside funding for the continuation of the property tax relief initiative enacted during the 2009 legislative session. NDCC Section 57-51.1-07.5 provides that the first \$200.0 million of the state share of oil and gas taxes be allocated to the general fund each biennium. The next \$341.8 million is allocated to the Property Tax Relief Fund.

Strategic Investment and Improvements Fund Status Statement

	2011-13	2013-15		2015-17
	Actual	Legislative Appropriation	Revised Estimate	Executive Budget
Beginning Balance	\$249,074,431 ¹¹	\$926,901,312	\$969,920,162	\$1,472,802,549
Revenue:				
Mineral royalties	138,293,182	158,160,750	225,423,159	\$281,430,780
Mineral rents	359,505	400,000	537,827	400,000
Mineral bonus	106,922,161	32,000,000	31,980,143	16,000,000
Oil and gas taxes	786,998,032	681,808,187	1,118,883,568 ¹²	860,760,104 ¹²
Loan income			2,650,966	14,590,000
Investment income	2,065,673	3,013,804	3,609,273	11,503,914
Total Revenues	\$1,034,638,553	\$875,382,741	\$1,383,084,936	\$1,184,684,798
Expenditures:				
Transfer to general fund	(305,000,000)	(\$520,000,000)	(\$520,000,000)	(700,000,000)
Transfer to legacy fund	(7,356,917)	(16,669,800)	(34,756,753) ¹³	(\$31,222,080) ¹³
Contingent funding for BRIC				(\$5,000,000) ¹⁴
Funding for cities in large oil counties			(300,000,000)	
Shortline railroad revolving loan fund				(\$10,000,000)
Current biennium appropriations		(223,750,000)	(23,750,000)	
Administrative expenses	(1,435,905)	(1,740,000)	(1,695,796)	(1,980,000)
Total expenditures and transfers	(\$313,792,822)	(\$762,159,800)	(\$880,202,549)	(\$748,202,080)
Ending Balance	\$969,920,162	\$1,040,124,253	\$1,472,802,549	\$1,909,285,267
Less Assigned Fund Balance				
Potential title disputes	(\$133,985,322)	(\$141,985,322)	(\$144,197,060)	(\$148,197,060)
School construction loan program			(\$150,000,000)	(\$450,000,000) ¹⁵
Medical facility loan program			(\$50,000,000)	(\$50,000,000)
Guarantee reserve fund balance	(25,000,000)	(25,000,000) ¹⁶	(18,000,000)	(18,000,000)
Unassigned Fund Balance	\$810,934,840	\$873,138,931	\$1,110,605,489	\$1,243,088,207

¹¹ Final revenue and expenditure information per the Department of Trust Lands.

¹² Pursuant to HB1451 (2011), a portion of oil and gas tax revenues is allocated to the strategic investment and improvements fund. Based on the most current forecast for oil and gas taxes and actual deposits through October 2014, \$1.10 billion is anticipated to be deposited into the strategic investment and improvements fund during the 2013-15 biennium; \$860.1 million during the 2015-17 biennium. The decrease is primarily due to an increase in the allocation of gross production taxes to political subdivisions which decreases the amount allocated to the strategic investment fund.

¹³ Pursuant to HB1451 (2011), once the unobligated balance in this fund reaches \$300.0 million, 25.0 percent of fund revenues must be deposited into the legacy fund. Oil and gas taxes are shown net of amounts deposited into the legacy fund. The amount shown as the anticipated transfer to the legacy fund represents 25.0 percent of fund revenues other than oil and gas taxes estimated to be received after the unobligated fund balance exceeds the \$300.0 million threshold.

¹⁴ Contingent appropriation to the Department of Commerce, available for the enhanced use lease grant program at the Grand Forks Air Force Base.

¹⁵ The executive budget includes a recommendation to increase the amount available for the school construction loan program from \$150 million to \$450 million, providing low interest loans to school districts.

Notes:

The strategic investment and improvements fund was created by the 2011 legislature to replace the lands and minerals trust fund. In addition to income from the sale, lease, and management of certain state owned lands and mineral interests previously allocated to the lands and minerals trust fund, the strategic investment and improvements fund receives a portion of state oil and gas taxes.