



Budget Basics

Prepared by the North Dakota Legislative Council
Part 1 | October 2, 2020

OVERVIEW OF THE STATE BUDGET

NORTH DAKOTA'S BUDGETING PROCESS

The North Dakota Legislative Assembly meets for up to 80 legislative days beginning in January and usually concluding in April of each odd-numbered year. By the close of each regular legislative session, the Legislative Assembly approves North Dakota's biennial budget, which takes effect on July 1 of that year and ends on June 30 of the following odd-numbered year. A biennium consists of 2 fiscal years, for example the 2019-21 biennium consists of fiscal year 2020 and fiscal year 2021. Funding appropriated for the biennium may be spent anytime during the 2-year period, except North Dakota Century Code Section 54-27-10 precludes a state agency from spending more than 75 percent of its biennial salaries and wages and operating expenses budget during the first 18 months of the biennium.

North Dakota's budgeting process begins in March of the year before the legislative session with the governor issuing budget guidelines and state agencies and institutions preparing and submitting biennial budget requests to the Office of Management and Budget (OMB) beginning in July. The Office of Management and Budget holds executive budget hearings for selected agencies to allow agencies an opportunity to explain and justify their budget requests for inclusion in the governor's budget recommendation to the Legislative Assembly. The Legislative Council's fiscal staff attends these budget hearings.

The Legislative Assembly receives the governor's executive budget recommendation during its organizational session in the December preceding the legislative session. The Legislative Management's Budget Section meets following the organizational session to receive more detailed information regarding the executive budget recommendations. Before the convening of the legislative session, the Legislative Council's fiscal staff prepares a comprehensive analysis of the executive budget. This analysis is presented to the Appropriations Committees and is made available to all members of the Legislative Assembly for use in developing the legislative budget.

Revenue forecast information used by the governor in the development of the executive budget recommendation is based on information provided by the Tax Department and an economic forecasting firm under contract with the state. In 2017, the Legislative Assembly created the interim Legislative Revenue Advisory Committee and began contracting with an economic forecasting firm to gather additional information and perspective on state revenue forecasts. At the beginning of each legislative session, the Legislative Assembly considers the revenue forecast included in the executive budget as well as the revenue forecast information provided by the interim committee and the legislative economic forecasting firm to set the "base level" legislative revenue forecast for the next biennium. In March during the session, the Legislative Assembly receives updated revenue estimates from OMB and the legislative economic forecasting firm that it uses to develop its final legislative revenue forecast for developing the state budget.

The Legislative Assembly begins development of the state budget at a "base level" for appropriations. The "base level" is the current biennium's appropriation for each agency excluding any one-time appropriations. The Appropriations Committees prepare and introduce the base level appropriation bill for each agency. The Office of Management and Budget submits draft appropriation bills containing the governor's budget recommendations which are printed in the House and Senate Journals and provided to the Appropriations Committees for consideration in developing the state budget. Individual legislators also may suggest changes affecting the appropriations for an agency. The Legislative Assembly considers the governor's recommendations and information received through public hearings held in each chamber on the appropriation bills. Other bills also may be introduced and considered which appropriate funds to an agency. If approved, these bills are added to the appropriations included in the agency's primary appropriation bill to determine the agency's total appropriation for the next biennium. Bills providing a deficiency or supplemental appropriation relating to the current biennium also may be considered and if approved, increase the agency's current biennium's appropriation.

Each bill having an appropriation of \$5,000 or more or a bill with a fiscal note indicating a fiscal impact of \$50,000 or more on an agency's appropriation is required by rule to be referred to the Appropriations Committee.

Unless otherwise indicated, an appropriation bill or a tax measure bill becomes effective on July 1 following the legislative session. Other bills become effective on August 1. The Legislative Assembly approves approximately 75 appropriation bills each session, providing funding for the operations of state government for the subsequent biennium.

The state budget is made up of the general fund, which is the primary operating fund of the state; special funds, which generally have a designated source of revenue and a designated use; and federal funds, which are funds received from the federal government. There is only one general fund but nearly 300 special funds. An example of a special fund is the state highway fund which receives revenue from motor vehicle fuel taxes and registration fees as well as other vehicle-related fees. This fund is used to defray the expenses of the Department of Transportation. Approximately 38 of the 60 non-higher education state agencies receive federal funds. The federal funds are received from federal agencies under more than 300 federal programs.

The Legislative Assembly identifies ongoing and one-time revenues and appropriations for the purpose of approving a sustainable budget for future bienniums. Ongoing revenues generally are sources of revenue that will recur during the next budgeting period without additional legislative action and one-time revenues generally are sources of revenue being depleted and likely will not be available during the next budgeting period unless a legislative change is made. Ongoing appropriations generally are those that will be necessary in future bienniums to continue state agency programs. One-time appropriations generally are those provided for a one-time purpose such as capital construction projects, information technology projects, or one-time grant programs.

SUMMARY OF THE 2019-21 BIENNIUM NORTH DAKOTA BUDGET

As approved by the 2019 Legislative Assembly, the 2019-21 biennium budget totals \$14.7 billion. Of this amount, \$4.8 billion is from the general fund, \$6.0 billion is from special funds, and \$3.9 billion is from federal funds.

A summary of the general fund budget for the 2019-21 biennium as approved by the 2019 Legislative Assembly is shown below.

Estimated unobligated general fund balance - July 1, 2019	\$65,000,000 ¹
Add estimated 2019-21 general fund revenues and transfers	4,822,959,640
Total resources available	\$4,887,959,640
Less 2019-21 general fund appropriations	4,843,563,166
Estimated general fund balance - June 30, 2021	\$44,396,474
¹ This amount reflects \$115,560,181 of 2017-19 biennium supplemental and deficiency appropriations, and \$54,102,873 of estimated 2017-19 unspent general fund appropriation authority.	

The next topic in the Budget Basics series will review state revenues.