



Budget Basics

Prepared by the North Dakota Legislative Council
Part 2 | October 9, 2020

GENERAL FUND REVENUES

OVERVIEW

At the beginning of each legislative session, the Appropriations Committees adopt an initial base revenue forecast, and in March, the base revenue forecast is updated with revised estimates. As bills are introduced during the legislative session, the bills with potential revenue impacts are included in the fiscal impact report. The April 25, 2019, fiscal impact report is available [online](#). Some bills may increase state revenues, such as a fee increase or the removal of a tax credit, while other bills may decrease state revenues, such as a fee decrease or adding a new tax exemption.

As bills are approved by the Appropriations Committees, the House of Representatives, or the Senate, the revenue impacts are reflected in the budget status reports. The final budget status reports from the 2019 legislative session are available [online](#). The Legislative Assembly uses the fiscal impact report and the budget status reports to track the potential and approved changes to the state budget during the legislative session, including the revenue forecast.

By the end of the legislative session, the bills approved by the Legislative Assembly which have revenue impacts are combined with the revised base revenue forecast to reflect the legislative revenue forecast. The legislative revenue forecast is the official revenue forecast for the biennium until the Legislative Assembly revises the forecast generally during the next legislative session.

REVENUE FORECASTING

During the interim, the Legislative Revenue Advisory Committee meets to study state revenues and state revenue forecasts. Industry representatives provide information on economic trends, and the committee receives information on revenue collections from state agencies and forecasting data from an economic forecasting firm. The firm, currently IHS Markit, provides preliminary revenue forecasting information to the committee in September before the start of the regular legislative session.

The Appropriations Committees receive revenue forecasting information from IHS Markit during the legislative session. The Appropriations Committees adopt the initial base revenue forecast in January and revisions to the base revenue forecast in March based on forecasting information from IHS Markit, economic conditions, and the forecasts developed by the Office of Management and Budget (OMB).

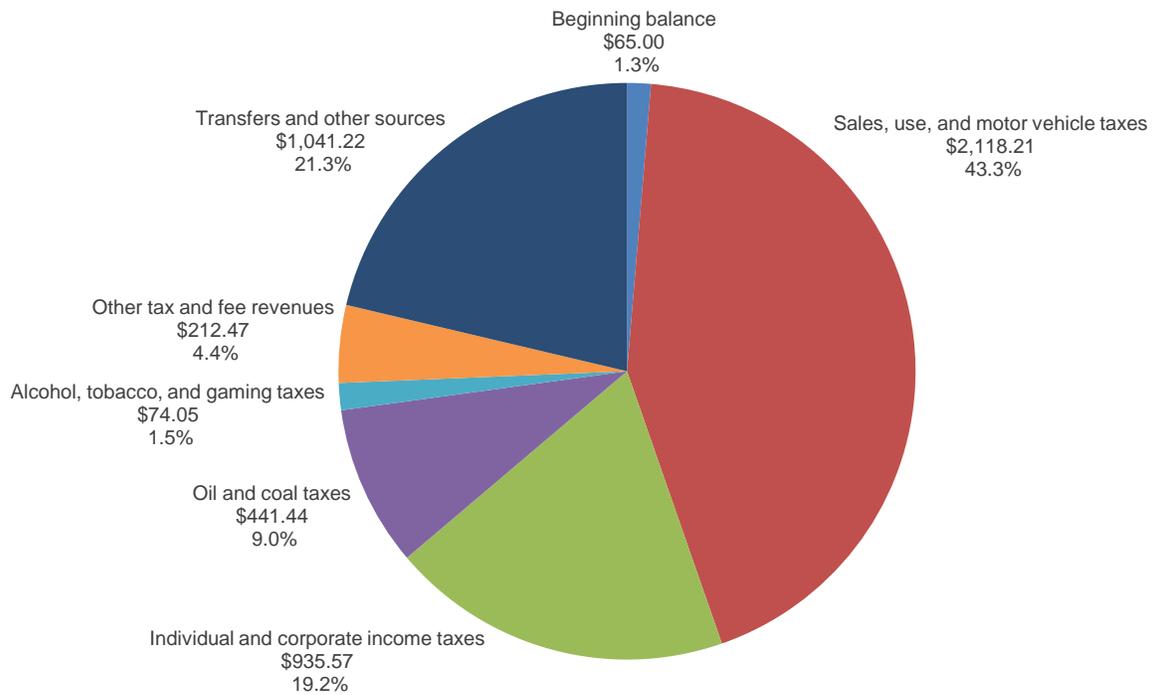
Similar to the legislative process, OMB prepares revenue forecasts for consideration in developing the state budget. Currently, OMB contracts with Moody's Analytics to provide economic projections as a basis for the revenue forecasts. In coordination with the Tax Department, OMB uses the economic projections from Moody's Analytics along with historical tax collection data to forecast general fund tax revenues. These forecasts are presented to the Legislative Assembly during the organizational session in December as part of the executive budget with an update in March during the legislative session.

REVENUE SOURCES

State revenues include tax collections, regulatory and user fees, and transfers from other sources. All revenues are deposited in the general fund unless designated for another purpose by the constitution or statute.

Sales and use taxes, income taxes, energy-related taxes, and transfers comprise over 90 percent of the general fund revenue forecast for the 2019-21 biennium. Major transfers to the general fund include Bank of North Dakota profits, Mill and Elevator Association profits, and the strategic investment and improvements fund. The general fund

revenue forecast for the 2019-21 biennium totals \$4.89 billion, and the major sources of general fund revenue are shown in the chart below (amounts in millions).



Oil and gas tax revenues are collected by the Tax Department and distributed by the State Treasurer to the Three Affiliated Tribes, political subdivisions, and state funds, including a share to the general fund. More information regarding oil and gas tax revenues will be included as a future topic.

State special funds receive revenue from designated sources. These sources include allocations from tax collections, user fees, and investment income. The primary revenue sources for the legacy fund and common schools trust fund are oil and gas tax revenue allocations and investment earnings. The highway tax distribution fund receives revenue from motor vehicle registration fees and motor vehicle and special fuels taxes. More information on special funds sources and uses will be included as a future topic.

ONGOING AND ONE-TIME REVENUES

Ongoing revenues are derived from sources anticipated to be available on a recurring basis without additional legislative action. Major sources of ongoing general fund revenues include sales and use tax collections, individual and corporate income tax collections, a portion of oil and gas tax collections, and Bank of North Dakota profits.

Revenue sources being depleted or anticipated to be infrequent or requiring future legislative action are considered one-time revenues. One-time general fund revenues include the beginning balance and transfers from the strategic investment and improvements fund, tax relief fund, and Research North Dakota fund.

For the 2019-21 biennium, ongoing general fund revenues total \$4.05 billion, or 83 percent of total general fund revenues, and one-time general fund revenues total \$0.84 billion, or 17 percent of total general fund revenues.

The next topic in the *Budget Basics* series will be appropriations.