

## PRELIMINARY BUDGET OUTLOOK - 2015-17 BIENNIUM

All amounts shown on the schedule are based on preliminary estimates that are subject to change. Revenues items are based on the Office of Management and Budget (OMB) August 2014 revenue forecast for the remainder of the 2013-15 biennium and for the 2015-17 biennium. A summary of the August revenue forecast is attached as an [appendix](#). The revenue forecast will be revised in the December 2014 executive budget. Amounts shown for possible increases in state employee salaries, elementary and secondary education, higher education, major human services programs, etc., **are not recommended amounts** but are provided so the reader can substitute whatever level he or she believes appropriate. Only major items have been included. **Additional amounts that may be requested as part of agency budget requests, additional items that may be recommended by the Governor, and potential legislative initiatives are not reflected on this schedule.**

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
Beginning balance			
Estimated balance - June 30, 2015		\$614,355,980 <sup>1</sup>	\$614,355,980 <sup>1</sup>
Add estimated 2013-15 state school aid turnback		19,000,000	19,000,000
Less: Potential deficiency appropriation requests		(8,659,008) <sup>2</sup>	(8,659,008) <sup>2</sup>
Potential transfer to budget stabilization fund		(133,594,579) <sup>3</sup>	(133,594,579) <sup>3</sup>
Estimated balance - July 1, 2015		\$491,102,393	\$491,102,393
Revenues			
2015-17 biennium revenues (based on the OMB August 2014 preliminary revenue forecast)	\$5,174,190,000		\$5,174,190,000
Transfers	676,594,560 <sup>4</sup>		676,594,560 <sup>4</sup>
Total revenues	\$5,850,784,560		\$5,850,784,560
Total 2015-17 biennium resources	\$5,850,784,560	\$491,102,393	\$6,341,886,953
Appropriations			
2013-15 biennium ongoing general fund appropriations	(\$4,436,300,000)		(\$4,436,300,000)
Potential funds available	\$1,414,484,560	\$491,102,393	\$1,905,586,953
Less general fund requirements due to 2013 legislative action or federal program changes:			
• Cost-to-continue the second-year 3 percent performance-based employee salary increase for two years in the 2015-17 biennium	(\$9,020,000)		(\$9,020,000)
• Cost-to-continue the second-year market equity employee salary increases of up to 2 percent for two years in the 2015-17 biennium	(2,730,000)		(2,730,000)
• Cost-to-continue the retirement contribution increase (a state contribution of 1 percent beginning January 1, 2014) for an additional 6 months in the 2015-17 biennium	(1,300,000)		(1,300,000)
• Continuation of funding pool for state agencies to access for providing health insurance to temporary employees in accordance with the federal Affordable Care Act (one-time funding in 2013-15 biennium)		(\$1,000,000)	(1,000,000)
• Cost-to-continue the second-year state school aid per student payment levels for two years in the 2015-17 biennium assuming no increase in student enrollment (\$65 million increase compared to 2013-15 estimated expenditures less \$19 million of anticipated 2013-15 turnback)	(46,000,000)		(46,000,000)
• Cost-to-continue state school aid at the 2013-15 biennium second-year integrated payment rate to an estimated 10,600 additional students during the 2015-17 biennium	(100,000,000)		(100,000,000)
• Increase in local share of state school aid during the 2015-17 biennium, assuming a 16 percent increase in property valuations	75,000,000		75,000,000

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<ul style="list-style-type: none"> <li>Additional funding for state school aid payments from common schools trust fund distributions</li> </ul>	74,000,000		74,000,000
<ul style="list-style-type: none"> <li>Cost-to-continue the 3 percent second-year inflationary increase for Department of Human Services' providers for two years in the 2015-17 biennium</li> </ul>	(11,600,000)		(11,600,000)
<ul style="list-style-type: none"> <li>Increased costs for Department of Human Services' grants resulting from a reduction in the federal medical assistance percentage (FMAP) (assumes an FMAP of 50 percent for federal fiscal years 2016 and 2017)</li> </ul>	(4,100,000)		(4,100,000)
<ul style="list-style-type: none"> <li>Increased costs for the Department of Human Services related to the federal Affordable Care Act requiring the state to pay 5 percent of the costs attributed to Medicaid Expansion beginning on January 1, 2017</li> </ul>	(2,400,000)		(2,400,000)
<ul style="list-style-type: none"> <li>Reduction in capital lease payments during the 2015-17 biennium</li> </ul>	2,090,000		2,090,000
<ul style="list-style-type: none"> <li>Funding for the North Dakota University System for cost-to-continue fiscal year 2015 salary increases, utility cost increases, operating inflation, and the academic and career and technical education scholarship</li> </ul>	(30,040,000)		(30,040,000)
<ul style="list-style-type: none"> <li>Continuation of state paid property tax relief credits (one-time funding in the 2013-15 biennium)</li> </ul>		(200,000,000)	(200,000,000)
Total cost-to-continue items	(\$56,100,000)	(\$201,000,000)	(\$257,100,000)
Remaining balance available	\$1,358,384,560	\$290,102,393	\$1,648,486,953
Other potential selected general fund spending increases the Legislative Assembly in 2015 may be asked to consider:			
<ul style="list-style-type: none"> <li>State employee salary increases, excluding higher education, of 3 percent for each year of the biennium (1 percent salary increase costs approximately \$3.25 million per year.) The State Employee Compensation Commission recommended providing \$48 million for state employee salary increases.</li> </ul>	(\$29,300,000)		(\$29,300,000)
<ul style="list-style-type: none"> <li>State employee health insurance increases based on the preliminary estimate of approximately a 21 percent increase (monthly premium increasing from \$982 to \$1,188)</li> </ul>	(24,100,000)		(24,100,000)
<ul style="list-style-type: none"> <li>Additional funding for elementary and secondary education - Based on adjustments for minimum and maximum payments and a 3.2 percent increase in the integrated formula per student rate - Same percentage increase as the 2013-15 biennium</li> </ul>	(109,000,000)		(109,000,000)
<ul style="list-style-type: none"> <li>Higher education - Same dollar increase as the 2013-15 biennium (The University System has requested a base funding increase of \$104.2 million for the higher education institutions, including the University of North Dakota School of Medicine and Health Sciences and the Forest Service, and \$318 million for capital projects and other capital needs. The base funding increase of \$104.2 million does not include funding for salary or health insurance increases for the 2015-17 biennium. Health insurance increases, a 3 percent per year salary increase, and a 1 percent retirement contribution increase are estimated to require funding of \$34.6 million from the general fund.)</li> </ul>	(72,800,000)	(\$223,400,000)	(296,200,000)
<ul style="list-style-type: none"> <li>Department of Human Services - Estimated increases for cost, caseload, and utilization changes for major grant programs (based on 2013-15 biennium increases)</li> </ul>	(48,400,000)		(48,400,000)

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<ul style="list-style-type: none"> <li>Department of Human Services - 3 percent annual inflationary increases for major department programs</li> </ul>	(36,700,000)		(36,700,000)
<ul style="list-style-type: none"> <li>Department of Corrections and Rehabilitation - Increase relating to contracts for housing male and female inmates</li> </ul>	(5,200,000)		(5,200,000)
<ul style="list-style-type: none"> <li>Continuation of Research North Dakota grants (same level of funding as provided for the 2013-15 biennium)</li> </ul>		(12,000,000)	(12,000,000)
<ul style="list-style-type: none"> <li>Transportation funding for state and county road projects (based on 2013-15 distributions, excluding \$720 million made available prior to July 1, 2013)</li> </ul>		(820,000,000)	(820,000,000)
<ul style="list-style-type: none"> <li>Inflationary increases of 3 percent per year for remaining agency expenditures not included above</li> </ul>	(15,800,000)		(15,800,000)
Total other potential selected general fund spending increases	(\$341,300,000)	(\$1,055,400,000)	(\$1,396,700,000)
<b>Estimated remaining funds to provide for the June 30, 2017, ending balance and agency budget requests, other Governor's recommendations, and legislative initiatives that may relate to:</b> <ul style="list-style-type: none"> <li><b>New programs and program enhancements;</b></li> <li><b>Other infrastructure improvements, including road projects;</b></li> <li><b>Other tax relief; and</b></li> <li><b>Other capital projects.</b></li> </ul>	\$1,017,084,560	(\$765,297,607)	\$251,786,953

<sup>1</sup>The estimated June 30, 2015, balance is based on the OMB August 2014 revenue forecast for the 2013-15 biennium. The amount does not include any amount resulting from 2013-15 biennium unspent general fund appropriations (turnback).

<sup>2</sup>Potential amount resulting from 2013-15 biennium deficiency appropriation requests includes:

Valley City State University - Funding for permanent flood protection (\$3.3 million) and additional costs related to building demolition (\$152,000)	\$3,452,000
Minot State University - Funding for flood costs not covered by the Federal Emergency Management Agency	1,806,108
Williston State College - Funding for a boiler (\$50,000) and costs related to employee turnover (\$30,000)	80,000
Secretary of State - Repay Bank of North Dakota loan for information technology project costs	950,000
Attorney General - Prosecution witness fees	100,000
Legal Counsel for Indigents - Increased caseloads	700,000
State Department of Health - Local public health vaccine purchasing program	470,900
Department of Corrections and Rehabilitation - Repay Bank of North Dakota loan for State Penitentiary building project	1,100,000
<b>Total</b>	<b>\$8,659,008</b>

<sup>3</sup>The amount shown as a potential transfer to the budget stabilization fund is based on statutory provisions requiring any ending general fund balance amounts in excess of \$65 million to be deposited in the budget stabilization fund and on the assumption that 2015-17 biennium general fund appropriations will increase by approximately 10 percent over 2013-15 biennium general fund appropriations allowing the maximum balance in the budget stabilization fund to be \$717.1 million. The budget stabilization fund balance is limited to 9.5 percent of biennial general fund appropriations.

<sup>4</sup>The amount shown reflects the following major transfers to the general fund compared to the 2013-15 biennium:

	2013-15 Biennium	2015-17 Biennium	Variance
Mill and Elevator	\$6,817,200	\$6,817,200	
Lottery	11,000,000	11,000,000	
Gas tax administration	1,777,360	1,777,360	
Property tax relief fund	341,790,000	657,000,000	\$315,210,000
Strategic investment and improvements fund	520,000,000		(520,000,000)
<b>Total transfers</b>	<b>\$881,384,560</b>	<b>\$676,594,560</b>	<b>(\$204,790,000)</b>

ATTACH:1

# PRELIMINARY REVENUE FORECAST

## OFFICE OF MANAGEMENT & BUDGET

	2013-15			2015-17	
	2013 Legislative Forecast	Revised Forecast	Change	Preliminary Forecast	Change from 2013-15 Revised Forecast
<b>Tax Types</b>					
Sales and Use Tax	\$2,472,947,500	\$2,469,840,100	(\$3,107,400)	\$2,667,659,000	\$197,818,900
Motor Vehicle Excise Tax	323,123,500	289,673,958	(33,449,542)	349,409,000	\$59,735,042
Individual Income Tax	797,654,355	1,032,509,203	234,854,848	1,060,828,000	\$28,318,797
Corporate Income Tax	377,739,645	456,823,247	79,083,602	470,489,000	\$13,665,753
Insurance Premium Tax	73,352,976	81,593,441	8,240,465	77,600,000	(\$3,993,441)
Financial Inst. Tax	0	(4,871,446)	(4,871,446)	0	\$4,871,446
Oil & Gas Production Tax	133,834,002	146,071,108	12,237,106	133,834,000	(\$12,237,108)
Oil Extraction Tax	166,165,998	153,928,892	(12,237,106)	166,166,000	\$12,237,108
Gaming	8,174,696	7,497,781	(676,915)	7,000,000	(\$497,781)
Cigarette and Tobacco Tax	57,953,000	59,567,291	1,614,291	61,560,000	\$1,992,709
Wholesale Liquor Tax	19,142,000	18,518,019	(623,981)	18,867,000	\$348,981
Coal Conversion Tax	39,300,000	38,875,236	(424,764)	39,578,000	\$702,764
Mineral Leasing Fees	19,000,000	28,448,054	9,448,054	19,000,000	(\$9,448,054)
Departmental Collections	74,394,098	80,669,034	6,274,936	80,600,000	(\$69,034)
Interest	32,666,716	21,669,430	(10,997,286)	21,600,000	(\$69,430)
<b>Revenues Before Transfers</b>	<b>\$4,595,448,486</b>	<b>\$4,880,813,348</b>	<b>\$285,364,862</b>	<b>\$5,174,190,000</b>	<b>\$293,376,652</b>