



North Dakota Legislative Council

Prepared by the Legislative Council staff
 LC# 21.9383.01000
 September 2020

BUDGET OUTLOOK - 2019-21 AND 2021-23 BIENNIUMS

The schedule below is an outlook for the 2019-21 biennium and 2021-23 biennium general fund budgets. The outlook is based upon estimated 2019-21 biennium revenue and appropriation levels and the Office of Management and Budget's September 2020 revenue forecast. The schedule also identifies estimated costs to continue various programs at current levels based upon actions by the 2019 Legislative Assembly and other factors.

	General Fund	
	2019-21 Biennium Estimate	2021-23 Biennium Estimate
Estimated beginning balance	\$65,000,000	\$196,600,000
Revenues		
Base level ongoing revenues ¹	3,781,700,000	3,781,700,000
Adjustments to ongoing revenues		
Biennium-to-date surplus (deficit) through August 2020	76,700,000	N/A
Adjustment for September 2020 executive branch revenue forecast	(120,600,000)	(103,800,000)
Major ongoing transfers		
Legacy fund earnings (2019 legislative revenue forecast)	100,000,000	100,000,000
Additional legacy fund earnings (September 2020 executive branch revenue forecast)	135,600,000	
Mill and Elevator Association (September 2020 executive branch revenue forecast)	10,900,000	10,900,000
Lottery (September 2020 executive branch revenue forecast)	10,200,000	10,200,000
Gas tax administration	2,000,000	2,000,000
Bank of North Dakota	140,000,000	140,000,000
Other transfers and one-time revenues		
Tax relief fund	8,600,000	0
Strategic investment and improvements fund	764,400,000	0
Other transfers (September 2020 executive branch revenue forecast)	1,700,000	0
Total resources available	\$4,976,200,000	\$4,137,600,000
Appropriations		
Ongoing general fund appropriations	(4,794,900,000)	(4,794,900,000)
One-time general fund appropriations	(48,700,000)	
Potential funds available	\$132,600,000	(\$657,300,000)
Less 2021-23 biennium general fund requirements due to 2019 legislative action or federal program changes:		
• Cost to continue 2019-21 biennium state employee salary increases		(15,100,000)
• Cost to continue state school aid at the 2019-21 biennium integrated payment rate to an estimated 10,151 additional students during the 2021-23 biennium		(131,300,000)
• Cost to continue special education contract grants		(4,000,000)
• Estimated increase in local share of state school aid based on projected taxable valuation increases of 3.5 percent per year		85,800,000
• Additional funding for state school aid payments from common schools trust fund distributions		52,500,000
• Funding for the North Dakota University System for the higher education funding formula, reflecting a decrease in completed credits		1,200,000
• Cost to continue state primacy over the federal air pollution program		(1,100,000)
• Cost to continue 2019-21 biennium Department of Human Services (DHS) provider inflationary increases		(14,800,000)
• Decreased costs for DHS related to 2019-21 biennium changes to the federal medical assistance percentage (FMAP)		4,900,000
• Replace funding from the tobacco prevention and control trust fund used for DHS and the State Department of Health in the 2019-21 biennium		(7,400,000)
• Estimated payments on capital project bonds authorized in the 2019-21 biennium		(13,500,000)
Total cost-to-continue items	\$0	(\$42,800,000)

	General Fund	
	2019-21 Biennium Estimate	2021-23 Biennium Estimate
Less anticipated deficiency appropriations:		
• Tax Department - Estimated shortfall for the homestead tax credit and disabled veterans' tax credit programs in the 2019-21 biennium	(4,000,000)	
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to the Dakota Access Pipeline protest response (adjusted to reflect \$10 million from the federal government and \$15 million from Energy Transfer Partners)	(14,000,000)	
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to the Coronavirus (COVID-19) pandemic	(30,000,000)	
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to spring 2019, fall 2019, and spring 2020 flooding	(5,300,000)	
• Various agencies - potential litigation fees	(1,100,000)	
Other potential selected general fund spending increases the 2019 Legislative Assembly may be asked to consider:		
• State employee health insurance increases based on the preliminary estimate of the monthly premium increasing from \$1,426.74 to \$1,643.13 (15.2 percent)		(35,000,000)
Estimated unspent appropriation authority (turnback) - DHS due to 2020 temporary FMAP increase	70,000,000	
Other estimated unspent appropriation authority (turnback) - 1 percent of budget	48,400,000	
Transfer to budget stabilization fund ²	0	
Estimated general fund balance (shortfall)	\$196,600,000	(\$735,100,000)

NOTE: The amounts shown on the schedule above do not reflect:

1. Additional spending requests that may be submitted relating to:
 - a. State employee salary increases (2 percent annual increases would cost \$35 million);
 - b. State school aid increases (2 percent annual increases would cost \$65 million);
 - c. Cost, caseload, and utilization for DHS programs (\$52 million estimate based on 2019-21 increase);
 - d. Inflationary increases for DHS programs (2 percent annual increases would cost \$36 million);
 - e. Higher education inflationary increases;
 - f. Department of Corrections and Rehabilitation increased costs associated with inmate increases;
 - g. State building, road, and other infrastructure projects;
 - h. Special transportation and infrastructure distributions to political subdivisions; and
 - i. Other agency budget requests, Governor's recommendations, and legislative initiatives.
2. Additional sources of funding that could be available, including:
 - a. Strategic investment and improvements fund balance (based on actual oil and gas tax allocations through August 2020 and the September 2020 executive branch revenue forecast reflecting average oil production of 1.25 million barrels per day and oil prices of \$32 per barrel for the remainder of the 2019-21 biennium). (Estimated \$533.1 million)
 - b. Bank of North Dakota profits in excess of the identified ongoing transfer amount.
 - c. Legacy fund earnings in excess of \$300.0 million for the 2019-21 biennium (\$235.6 million deposited in the general fund at the end of the 2019-21 biennium pursuant to the September 2020 executive branch revenue forecast and \$64.4 million contingent transfer to the common schools trust fund) and in excess of \$100 million for the 2021-23 biennium.
 - d. The tax relief fund balance is projected to total \$200 million on July 1, 2021. These funds would be available for continuing the payment of county social services and for other purposes.
 - e. Legacy fund principal (up to 15 percent upon approval by two-thirds of the Legislative Assembly).
 - f. Foundation aid stabilization fund uncommitted balance (based on actual oil and gas tax allocations through August 2020 and the September 2020 executive branch revenue forecast reflecting average oil production of 1.25 million barrels per day and oil prices of \$32 per barrel for the remainder of the 2019-21 biennium). Estimated \$162.3 million - \$110 million of this amount is needed for continuing the ongoing funding used from this fund during the 2021-23 biennium for state school aid.

¹Base-level ongoing revenues for the 2019-21 biennium and 2021-23 biennium reflect the 2019 legislative revenue forecast.
²The 2021-23 biennium appropriations are assumed to be the same as the 2019-21 biennium maintaining the budget stabilization fund balance limit of \$726.5 million. The balance of the budget stabilization fund is anticipated to reach its limit in the 2019-21 biennium; therefore, no transfer from the general fund to the budget stabilization fund is reflected at the end of the 2019-21 biennium.