

## PRELIMINARY OUTLOOK - NORTH DAKOTA 2009-11 BIENNIUM GENERAL FUND BUDGET

The schedule below is prepared as an early discussion paper regarding the 2009-11 biennium budget. All amounts shown are based on preliminary estimates.

Revenue items are based on the Office of Management and Budget's (OMB's) July 2008 revenue forecast for the remainder of the 2007-09 biennium and the 2009-11 biennium. 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 are not reflected on this schedule.

The amounts shown do not reflect potential general fund changes that may result if the following proposed ballot measures are approved in the November general election:

1. Creation of a constitutional permanent oil tax trust fund - The measure limits the amount of oil tax revenue that may be deposited in the general fund to \$100 million each biennium, adjusted by the consumer price index in future bienniums. The measure requires approval by 75 percent of the Legislative Assembly to spend money from the permanent oil tax trust fund.
2. Reduction of individual and corporate income tax rates - The measure reduces individual income tax rates by 50 percent and corporate income tax rates by 15 percent.
3. Limitation on budget increase - The measure limits state and local government budgetary increases over the preceding budget to the increase in the consumer price index unless approved by at least 60 percent of the voters in the general election.

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<b>Beginning balance</b>			
Estimated balance - June 30, 2009		\$453,879,357 <sup>1</sup>	\$453,879,357
Less: Potential deficiency appropriation requests		(8,122,000) <sup>2</sup>	(8,122,000)
Potential transfer to budget stabilization fund		(72,787,000) <sup>3</sup>	(72,787,000)
Estimated balance - July 1, 2009		\$372,970,357	\$372,970,357 <sup>4</sup>
<b>Revenues</b>			
2009-11 biennium revenues based on OMB's July 2008 forecast	\$2,734,683,000 <sup>5</sup>		\$2,734,683,000
Transfers	84,400,000 <sup>6</sup>		84,400,000
Total revenues	\$2,819,083,000		\$2,819,083,000
<b>Total 2009-11 biennium resources</b>	\$2,819,083,000	\$372,970,357	\$3,192,053,357
<b>Appropriations</b>			
2007-09 biennium <b>general fund</b> appropriations	(\$2,317,447,000)	(\$144,527,000) <sup>7</sup>	(\$2,461,974,000)
Remove 2007-09 biennium one-time appropriation		144,527,000	144,527,000
<b>Potential funds available</b>	\$501,636,000	\$372,970,357	\$874,606,357
Less general fund requirements due to 2007 legislative action or federal program changes:			
• Increased costs for Department of Human Services grants resulting from an anticipated reduction in the federal medical assistance percentage (FMAP)	(9,700,000)		(9,700,000)
• Cost to continue the 5 percent second-year inflationary increase for Department of Human Services service providers	(8,800,000)		(8,800,000)
• Additional funding for continuation of state administration of child support enforcement activities	(3,400,000)		(3,400,000)
• Cost to continue to provide continuous Medicaid eligibility for an entire biennium (18 months in 2007-09)	(750,000)		(750,000)
• Loan repayments to the Bank of North Dakota relating to the state matching share of additional medical assistance grants for developmental disabilities services		(1,400,000)	(1,400,000)

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<ul style="list-style-type: none"> <li>Cost to continue the 2007-09 biennium level of medical assistance grants for developmental disabilities services</li> </ul>	(1,400,000)		(1,400,000)
<ul style="list-style-type: none"> <li>Cost to continue the 4 percent second-year salary increase for state employees for two years in the 2007-09 biennium</li> </ul>	(8,400,000)		(8,400,000)
<ul style="list-style-type: none"> <li>Loan repayments to the Bank of North Dakota relating to additional centers of excellence grants awarded in excess of the \$15 million anticipated by the 2007 Legislative Assembly to be repaid during the 2007-09 biennium (assuming the total available of \$20 million is awarded during the 2007-09 biennium)</li> </ul>		(5,000,000)	(5,000,000)
<ul style="list-style-type: none"> <li>Ongoing and maintenance costs for the Information Technology Department's statewide automated victim information and notification (SAVIN) system</li> </ul>	(850,000)		(850,000)
<ul style="list-style-type: none"> <li>Cost to continue the three new virtual area career and technology centers established by the Department of Career and Technical Education for an entire biennium</li> </ul>	(800,000)		(800,000)
<ul style="list-style-type: none"> <li>Increased general fund bond payments, excluding higher education</li> </ul>	(1,700,000)		(1,700,000)
Remaining balance available	\$465,836,000	\$366,570,357	\$832,406,357
Other potential general fund spending increases the 2009 Legislative Assembly may be asked to consider:			
<ul style="list-style-type: none"> <li>State employee salary increases, excluding higher education, of 4 percent for each year of the biennium</li> </ul>	(25,200,000)		(25,200,000)
<ul style="list-style-type: none"> <li>State employee health insurance increases based on an annual increase trend of 11.25 percent (a premium increase of \$155 per month from \$658 to \$813)</li> </ul>	(13,600,000)		(13,600,000)
<ul style="list-style-type: none"> <li>Additional funding for elementary and secondary education (Governor Hoeven has committed to provide \$100 million in new funding for elementary and secondary education.)</li> </ul>	(100,000,000)		(100,000,000)
<ul style="list-style-type: none"> <li>Higher education - Same dollar increase as the 2007-09 biennium (The University System has requested a base funding increase of \$115.8 million for the higher education institutions, including the UND School of Medicine and Health Sciences and the North Dakota Forest Service, and \$85.4 million of one-time funding requests.)</li> </ul>	(53,000,000)	(28,500,000)	(81,500,000)
<ul style="list-style-type: none"> <li>Additional funding for college tuition assistance (Governor's proposal to provide a total of \$40 million for the Aid for College Tuition North Dakota program)</li> </ul>	(34,000,000)		(34,000,000)
<ul style="list-style-type: none"> <li>Department of Human Services - 5 percent annual increases for growth and inflation of major department programs</li> </ul>	(23,900,000)		(23,900,000)
<ul style="list-style-type: none"> <li>Department of Corrections and Rehabilitation - Facility expansion costs based on information provided to the Correctional Facility Review Committee (in addition to the \$41 million available)</li> </ul>		(38,600,000)	(38,600,000)
<ul style="list-style-type: none"> <li>Property tax relief - Governor's proposal</li> </ul>	(200,000,000)		(200,000,000)
<ul style="list-style-type: none"> <li>Continuation of centers of excellence grants (Legislative intent was included in Section 14 of 2005 Senate Bill No. 2018 providing that a total of \$50 million be provided for centers of excellence grants. The Legislative Assembly provided \$20 million for the 2005-07 biennium and \$20 million for the 2007-09 biennium. The amount shown is the amount remaining.)</li> </ul>		(10,000,000)	(10,000,000)
<ul style="list-style-type: none"> <li>Inflationary increases of 3 percent per year for remaining agency expenditures not included above</li> </ul>	(6,300,000)		(6,300,000)
<b>Estimated remaining funds to provide for other potential funding requests and June 30, 2011, ending balance</b>	<b>\$9,836,000</b>	<b>\$289,470,357</b>	<b>\$299,306,357</b>

<sup>1</sup>The estimated June 30, 2009, balance is based on OMB's July 2008 revenue forecast for the 2007-09 biennium. The amount does not include any amount resulting from 2007-09 biennium unspent general fund appropriations (turnback).

<sup>2</sup>Potential amount resulting from 2007-09 biennium deficiency appropriation requests include:

• Adjutant General (Department of Emergency Services) - State disasters	\$3,300,000
• North Dakota State University - 2000 flood expenditures	550,000
• University of North Dakota - 1997 flood expenditures	4,200,000
• Attorney General - Prosecution witness and litigation fees	72,000
Total	<u>\$8,122,000</u>

<sup>3</sup>The amount shown as a potential transfer to the budget stabilization fund is based on the assumption that 2009-11 biennium general fund appropriations will increase by 10.8 percent over 2007-09 biennium general fund appropriations. The 10.8 percent increase is the 10-year average increase in general fund appropriations from 1999-2001 through 2007-09. After this transfer, the balance in the budget stabilization fund would be \$272.8 million.

<sup>4</sup>In addition to the \$373 million estimated July 1, 2009, general fund balance, OMB's July 2008 revenue forecast estimate of the balance in the permanent oil tax trust fund is \$622.9 million and the preliminary estimate of the balance in the budget stabilization fund is \$272.8 million on July 1, 2009.

<sup>5</sup>The amount shown for 2009-11 biennium revenues is based on OMB's July 2008 preliminary revenue forecast for the 2009-11 biennium. The 2009-11 biennium revenue amount reflects the discontinuation of the property tax income tax credits approved in 2007 Senate Bill No. 2032 of an estimated \$112 million since the schedule reflects the Governor's \$200 million property tax relief proposal as a 2009-11 biennium spending increase.

<sup>6</sup>The amount shown reflects the following major transfers to the general fund compared to the 2007-09 biennium:

	<b>2007-09</b>	<b>2009-11</b>	<b>Variance</b>
Bank of North Dakota	\$60,000,000	\$60,000,000	\$0
Student loan trust fund	3,100,000	3,100,000	0
Mill and Elevator	5,000,000	5,000,000	0
Gas tax administration	1,274,056	1,300,000	25,944
Lands and minerals trust fund	15,000,000	15,000,000	0
Permanent oil tax trust fund	115,000,000	0	(115,000,000)
Health care trust fund			
Total transfers	<u>\$199,374,056</u>	<u>\$84,400,000</u>	<u>(\$114,974,056)</u>

<sup>7</sup>The amount shown for 2007-09 biennium one-time general fund appropriations includes a \$5 million contingent general fund appropriation to the Department of Public Instruction for school district deferred maintenance and physical plant improvement grants authorized in 2007 Senate Bill No. 2200, which became effective in February 2008.