



STATUS OF THE GENERAL FUND

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Presented to the

**BUDGET SECTION**

THURSDAY, DECEMBER 3, 2020

JOE MORRISSETTE, OFFICE OF MANAGEMENT AND BUDGET DIRECTOR

**N.D.C.C. 54-14-03.1**  
**Fiscal Irregularities**

September through November 2020

**Retroactive Pay**

**September 2020**

<b>325 DHS</b> Alan Johnson	\$ 3,217
Salary adjustment for passing required training from September 2018 – August 2020.	
<b>325 DHS</b> Wendy Dannenfelzer	\$ 16,692
Cumulative back pay resulting from incorrect salary increase calculation in 2013.	
<b>472 Public Finance Authority</b> DeAnn Ament	\$ 1,223
Workload adjustment.	
<b>504 Highway Patrol</b> Lorelle Tietz	\$ 600
Temporary workload adjustment.	

**November 2020**

<b>313 Veterans Home</b> 165 Staff Members	\$ 92,170
Workload adjustments as a result of COVID-19.	
<b>325 DHS</b> Dennis Kadi Caballero	\$ 1,432
Workload adjustment.	

**Severance Pay**

**September 2020**

<b>313 Veterans Home</b> Chad Lambrecht	\$ 3,770
Reduction in force severance package.	

# Report on Federal Grants Per NDCC 54-27-27

December 3, 2020

## Grants Awarded

Agency	Description	Time Period of Grant	Amount of Grant Awarded
Attorney General	OVC law enforcement-based victim specialist program.	10/1/2020 – 9/30/2023	\$ 270,000
DHS	Leadership development programs for personnel in special education, early intervention, related services to work with infants, toddlers and youth with disabilities.	7/1/2020 – 6/30/2021	\$ 197,303
DHS	FY2020 Disaster Response State Grant provides mental and behavioral health services to those affected by 2019 flood.	9/30/2020 – 9/29/2021	\$ 4,000,000
ND Housing Finance	Coordinate statewide efforts toward ending homelessness through the Continuum of Care program.	7/1/2019 – 6/30/2020	\$ 45,055
ND Housing Finance	Increase use, training, and improving data quality of Homeless Management Information Systems component of the Continuum of Care program.	10/1/2019 – 9/30/2021	\$ 99,435
Industrial Commission	EPA issued multipurpose grant to be used to plug and abandon a confiscated underground injection control wells.	10/1/2020 – 9/30/2025	\$ 26,157

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2019-21 Biennium**  
**October 2020**

Revenues and Transfers	Fiscal Month			Biennium To Date				
	Original 2019 Leg. Forecast	Actual	Variance	Percent	Original 2019 Leg. Forecast	Actual	Variance	Percent
Sales Tax	93,906,429	69,721,308	(24,185,121)	-25.8%	1,282,402,450	1,260,174,815	(22,227,635)	-1.7%
Motor Vehicle Excise Tax	11,522,366	12,266,079	743,713	6.5%	168,428,308	165,740,728	(2,687,580)	-1.6%
Individual Income Tax	49,919,306	46,088,617	(3,830,689)	-7.7%	536,748,419	551,055,097	14,306,678	2.7%
Corporate Income Tax	2,990,989	6,369,212	3,378,223	112.9%	76,658,184	119,293,804	42,635,620	55.6%
Insurance Premium Tax	29,955	473,274	443,319	1479.9%	42,294,860	54,477,714	12,182,854	28.8%
Oil & Gas Production Tax*	11,586,384	11,586,384	-	0.0%	238,369,403	238,369,403	-	0.0%
Oil Extraction Tax*	-	-	-	0.0%	161,630,597	161,630,597	-	0.0%
Gaming Tax	290,402	1,763,144	1,472,742	507.1%	4,729,956	16,220,146	11,490,190	242.9%
Lottery	-	-	-	0.0%	6,122,500	4,100,000	(2,022,500)	-33.0%
Cigarette & Tobacco Tax	1,993,644	2,210,125	216,481	10.9%	33,015,908	34,409,370	1,393,462	4.2%
Wholesale Liquor Tax	794,492	802,733	8,241	1.0%	12,596,740	12,590,348	(6,392)	-0.1%
Coal Conversion Tax	1,818,755	1,786,607	(32,148)	-1.8%	25,920,073	26,222,186	302,113	1.2%
Mineral Leasing Fees	2,741,296	2,052,300	(688,996)	-25.1%	26,845,457	28,102,337	1,256,880	4.7%
Departmental Collections	5,741,352	1,943,542	(3,797,810)	-66.1%	49,204,634	48,697,403	(507,231)	-1.0%
Interest Income	400,200	411,844	11,644	2.9%	4,936,600	13,133,069	8,196,469	166.0%
State Mill & Elevator-Transfer	-	-	-	0.0%	6,700,000	5,423,841	(1,276,159)	-19.0%
Bank of North Dakota - Transfer	35,000,000	35,000,000	-	0.0%	105,000,000	105,000,000	-	0.0%
Legacy Fund - Transfer	-	-	-	0.0%	-	-	-	0.0%
Tax Relief Fund - Transfer	-	-	-	0.0%	8,600,000	8,600,000	-	0.0%
SIF - Transfer	-	-	-	0.0%	764,400,000	764,400,000	-	0.0%
Gas Tax administration	248,878	248,878	-	0.0%	1,493,268	1,493,662	394	0.0%
Miscellaneous	-	(1,989)	(1,989)	100.0%	-	3,349,934	3,349,934	100.0%
<b>Total Revenues and Transfers</b>	<b>218,984,448</b>	<b>192,722,058</b>	<b>(26,262,390)</b>	<b>-12.0%</b>	<b>3,556,097,357</b>	<b>3,622,484,454</b>	<b>66,387,097</b>	<b>1.9%</b>

\* The General Fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in January 2018. Additional oil taxes were allocated to the Tax Relief Fund until that fund received \$200.0 million, and then to the Budget Stabilization Fund until that fund reached its cap of \$75.0 million. The second tier of \$200.0 million was met in August 2018 so no additional allocations will be made to the general fund during the 2017-19 biennium.

**GENERAL FUND STATUS STATEMENT  
2019-21 BIENNIUM  
AS OF OCTOBER 31, 2020**

Beginning Balance:		
Beginning Unobligated Balance - July 1, 2019	\$65,000,000	
Balance Obligated for Authorized Carryover of Appropriations	<u>130,404,813</u>	
Total Beginning Balance		\$195,404,813
Revenues:		
Revenues Collected to Date	\$3,622,484,454	
Remaining Forecasted Revenues - Revised December 2020	<u>1,338,095,876</u>	
Total Revenues		<u>4,960,580,330</u>
Total Available		\$5,155,985,143
Expenditures:		
Legislative Appropriations - One-time	(\$48,639,068)	
Legislative Appropriations - Ongoing	(4,794,924,098)	
2019-21 Authority Used in 2017-19	106,000	
Authorized Carryover from Previous Biennium	<u>(130,404,813)</u>	
Total Authorized Expenditures		<u>(\$4,973,861,979)</u>
Anticipated Deficiency Requests:		
OMB	(\$400,000)	
Secretary of State	(97,500)	
Attorney General	(175,435)	
Tax Department	(4,040,000)	
NDSU	(474,657)	
Department of Health	(32,092,680)	
DEQ	(1,400,000)	
Adjutant General	<u>(22,127,216)</u>	
Total Deficiency Requests		(\$60,807,488)
Anticipated Turnback:		
Governor's Office	\$65,000	
OMB	240,000	
NDIT	1,000,000	
Treasurer	20,000	
Tax Department	1,800,000	
Indigent Defense	600,000	
Ethics Commission	40,000	
DPI	79,900,000	
CTE	200,000	
Vets Affairs	40,000	
DHS	92,500,000	
Protection and Advocacy	8,000	
Industrial Commission	349,448	
Department of Labor	200,000	
PSC	250,000	
Highway Patrol	12,610,000	
Department of Commerce	500,000	
Department of Agriculture	45,000	
State Fair	<u>271,417</u>	
Total Turnback		<u>\$190,638,865</u>
Estimated Ending Balance - June 30, 2021		<u><u>\$311,954,541</u></u>

## General Fund Status Statement

	2017-19 Actual <sup>1</sup>	2019-21 Legislative Appropriation	2019-21 Revised Estimate	2021-23 Executive Budget
Beginning Balance	\$65,000,000	\$65,000,000	\$65,000,000 <sup>2</sup>	\$311,954,541
Revenue	\$4,913,448,662	\$4,822,959,640	\$4,960,580,330 <sup>3</sup>	\$4,581,131,201 <sup>3</sup>
Expenditures:				
Original Appropriations - One Time	(\$14,638,226)	(\$48,639,068)	(\$48,639,068)	(\$101,754,458)
Original Appropriations - Ongoing	(4,295,624,415)	(4,794,924,098)	(4,794,924,098)	(4,733,915,909)
Adjustments for Emergency Clauses	(106,000)	0	106,000	0
Supplemental Appropriations	(115,560,181)	0	(60,807,488)	0
Unspent Authority/Adjustments	61,389,781	0	190,638,865	0
Total Expenditures	(\$4,364,539,041)	(\$4,843,563,166)	(\$4,713,625,789)	(\$4,835,670,367)
Ending Balance Before Transfers	\$613,909,621	\$44,396,474	\$311,954,541	\$57,415,375
Transfers and Adjustments:				
Transfer to Budget Stabilization Fund	(\$548,010,854) <sup>4</sup>	\$0	\$0	\$0
Adjustments and Cash Certifications	(898,767)	0	0	0
Total Transfers and Adjustments	(\$548,909,621)	\$0	\$0	\$0
Ending Balance	\$65,000,000	\$44,396,474	\$311,954,541	\$57,415,375

<sup>1</sup> Final revenues and expenditures per state accounting system reports dated June 30, 2019.

<sup>2</sup> Actual July 1, 2019 balance.

<sup>3</sup> Based on actual revenues through October 31, 2020, and estimated revenues for the remainder of the biennium using the November 2020 executive revenue forecast.

<sup>4</sup> NDCC Section 54-27.2-01 requires a transfer of the ending General Fund balance in excess of \$65.0 million to the Budget Stabilization Fund, sufficient to bring the balance of the Budget Stabilization Fund to 15.0 percent of appropriations.

# 2021-23 EXECUTIVE REVENUE FORECAST OFFICE OF MANAGEMENT & BUDGET

	2019-21		2021-23	
	2019 Legislative Forecast	Revised Forecast	Executive Forecast	Change from 2019-21 Revised Forecast
<b>Tax Types</b>				
Sales and Use Taxes	\$1,868,262,000	\$1,756,066,564	\$1,659,855,000	(\$96,211,564)
Motor Vehicle Excise Tax	249,951,800	231,847,814	239,317,000	7,469,186
Individual Income Tax	803,305,000	741,900,603	786,857,000	44,956,397
Corporate Income Tax	132,268,000	179,481,033	188,519,000	9,037,967
Insurance Premium Tax	72,944,050	94,520,219	87,269,974	(7,250,245)
Oil and Gas Production Tax	226,606,316	237,855,277	288,300,044	50,444,767
Oil Extraction Tax	173,393,684	162,144,723	211,699,956	49,555,233
Gaming Tax	7,511,200	31,304,238	41,000,000	9,695,762
Cigarette and Tobacco Tax	47,838,000	49,032,505	43,846,000	(5,186,505)
Wholesale Liquor Tax	18,703,000	17,972,734	16,932,000	(1,040,734)
Coal Conversion Tax	41,438,000	42,398,724	42,600,000	201,276
Mineral Leasing Fees	38,000,000	30,168,017	25,000,000	(5,168,017)
Departmental Collections	91,521,566	79,914,882	76,423,632	(3,491,250)
Interest Income	10,000,000	30,272,315	34,000,000	3,727,685
<b>Total Revenues Before Transfers</b>	<b>\$3,781,742,616</b>	<b>\$3,684,879,648</b>	<b>\$3,741,619,606</b>	<b>\$56,739,958</b>
<b>Ongoing Transfers</b>				
Bank of North Dakota Profits	\$140,000,000	\$140,000,000	\$140,000,000	\$0
Transfers from State Mill Profits	13,400,000	10,923,841	15,500,000	4,576,159
Lottery	12,245,000	10,222,500	14,600,000	4,377,500
Gas Tax Administration	1,991,024	1,991,418	1,873,744	(117,674)
<b>Total Ongoing Transfers</b>	<b>\$167,636,024</b>	<b>\$163,137,759</b>	<b>\$171,973,744</b>	<b>\$8,835,985</b>
<b>One-time Transfers</b>				
Strategic Investment & Improvement Fund	\$764,400,000	\$764,400,000	\$400,000,000	(\$364,400,000)
Tax Relief Fund	\$8,600,000	8,600,000	23,040,408	14,440,408
Legacy Fund	100,000,000	335,630,000	0	(335,630,000)
Budget Stabilization Fund	0	0	244,497,443	244,497,443
Miscellaneous Transfers	581,000	3,932,923	0	(3,932,923)
<b>Total One-time Transfers</b>	<b>\$873,581,000</b>	<b>\$1,112,562,923</b>	<b>\$667,537,851</b>	<b>(\$445,025,072)</b>
<b>Total Revenues and Transfers</b>	<b>\$4,822,959,640</b>	<b>\$4,960,580,330</b>	<b>\$4,581,131,201</b>	<b>(\$379,449,129)</b>

# 2021-23 BIENNIUM OIL AND GAS TAX REVENUES

## OFFICE OF MANAGEMENT & BUDGET

Allocation	2019-21		2021-23	
	2019 Legislative Forecast	Revised Forecast	Change	Executive Forecast
				Change from 2019-21 Revised Forecast
Counties and Cities	\$661,151,412	\$489,019,546	(\$172,131,866)	\$440,593,155
Tribal Allocations	525,114,357	364,302,552	(160,811,805)	310,998,614
Legacy Fund	1,297,823,623	898,421,934	(399,401,689)	768,635,141
Foundation Aid Stabilization Fund	213,288,197	142,666,024	(70,622,173)	126,319,787
Common Schools Trust Fund	213,288,197	142,666,024	(70,622,173)	126,319,787
Resources Trust Fund	433,040,805	288,265,349	(144,775,456)	254,755,563
Renewable Energy Development Fund	3,000,000	3,000,000	0	3,000,000
Energy Conservation Grant Fund	1,200,000	1,200,000	0	1,200,000
Oil and Gas Research Fund	16,000,000	16,000,000	0	16,000,000
State Energy Research Fund	5,000,000	5,000,000	0	5,000,000
North Dakota Outdoor Heritage Fund	15,000,000	15,000,000	0	15,000,000
Well Plugging and Site Reclamation Fund	14,686,534	10,460,106	(4,226,428)	8,899,194
General Fund	400,000,000	400,000,000	0	500,000,000
Tax Relief Fund	200,000,000	200,000,000	0	200,000,000
Budget Stabilization Fund	75,000,000	48,431,258	(26,568,742)	0
Municipal Infrastructure Fund	115,000,000	29,875,000	(85,125,000)	30,375,000
County/Township Infrastructure Fund	115,000,000	0	(115,000,000)	0
Airport Infrastructure Fund	20,000,000	0	(20,000,000)	0
Lignite Research Fund	10,000,000	10,000,000	0	10,000,000
Strategic Investment and Improvement Fund	517,599,976	294,734,539	(222,865,437)	56,019,509
<b>Total Oil and Gas Taxes</b>	<b>\$4,851,193,101</b>	<b>\$3,359,042,332</b>	<b>(\$1,492,150,769)</b>	<b>\$2,873,115,750</b>

**Executive Forecast**

Oil Price Range for the Remainder of the 2019-21 Biennium: \$32.00 per barrel (ND Price)

Oil Price Range for 2021-23: \$34.50 per barrel (ND price) for FY2022 and \$36.00 per barrel (ND price) for FY2023

Oil Production Assumption: 1.10 million barrels per day for FY2022 and 1.20 million barrels per day for FY2023



## **Commodities and Services Exempt from Procurement Requirements**

State law requires OMB to provide the Budget Section with a report of commodities and services that have been exempted from state procurement requirements by the written directive of OMB. (NDCC 54-44.4-02.2)

There are no new procurement exemptions for specific goods and services since the 2018 report.

There are only two procurement exemptions by written directive of OMB.

- Contracts for legal services and testimony related lawsuits in which a party is the recipient of indigent defense. (July 2012).
- Purchases of educational courses and related educational materials selected by the ND Center for Distance Education. (November 2013)

OMB has promulgated rules for all other procurement exemptions. (NDAC Chapter 4-12-09)

Agencies must prepare an Alternate Procurement Request to justify any other noncompetitive purchases, and OMB reviews all noncompetitive purchases over \$10,000 for executive agencies, excluding institutions under the jurisdiction of the State Board of Higher Education.

# Use of June 30, 2021 Legacy Fund Earnings

## ***\$500 million anticipated June 30, 2021 Legacy Fund earnings***

- \$100 million General Fund
- \$64 million Common Schools Trust Fund
- \$236 million General Fund
- \$25 million to NDIT fund for statewide cyber security
- \$27 million transfer to UAS fund for Beyond Visual Line of Sight statewide network and Grand Sky
- \$30 million transfer to LIFT fund
- \$8 million transfer to Housing Incentive Fund
- \$10 million state park infrastructure upgrades

## ***Any amounts over \$500 million***

- First \$5 million transfer to environmental quality restoration fund
- Next \$10 million state park challenge grant program
- Next \$10 million higher education challenge grant
- Any remaining amount to state General Fund

# Potential Legacy Fund Earnings Plan

Based on 4% POMV Distribution  
(Amounts Shown in Millions)

Purpose	Exec Budget Rec %	Amount
Economic diversification and strategic initiatives	20%	\$ 112
Research and innovations	10%	56
Government transformation	10%	56
Legacy projects	20%	112
Legacy Bond Repayment Fund	40%	224
<b>TOTAL</b>	<b>100%</b>	<b>\$ 560</b>

## Recommended Bonding

(Amounts Shown in Millions)

Purpose	Amount
<b><i>Low Interest Revolving Loan Funds</i></b>	<b>\$ 700</b>
Water project revolving loan fund	450
County bridge revolving loan fund	50
Political subdivision infrastructure (cities, counties, park districts)	200
<b><i>Transportation and Municipal Infrastructure</i></b>	<b>323</b>
Bridge improvements (county, township, state)	15
2021-23 increment of DOT 10-year infrastructure improvement plan	237.4
DOT road improvements – Hwy 85	50
Park infrastructure	20.6
<b><i>Workforce Development</i></b>	<b>45</b>
Career and Tech Ed career academies	45
<b><i>State Facilities Construction and Improvement</i></b>	<b>182</b>
Higher Education Tier II and Tier III infrastructure	19
State buildings – maintenance and repair priorities – critical priorities	130.5
NDSU Ag Development Center	14
Dakota College – Old Main Renovation	2
State parks infrastructure	9.9
Capitol space utilization improvements	5.5
Capitol ADA improvements	.6
Capitol Brynhild Haugland Room	.5
<b>TOTAL</b>	<b>\$1,250</b>

## **PROPOSED STATUTORY CHANGES Affecting Revenues or Agency Duties**

### **Oil Tax Allocations**

- Amendment to North Dakota Century Code Section 57-51.1-07.5, relating to oil tax allocations to the general fund

### **Office of Management and Budget**

- Creation of a new section to Chapter 54-27, regarding creation of a shared services fund to facilitate the sharing of assets and services between agencies to create efficiency
- Amendment to Section 54-21-19, regarding the method used to calculate rent charges for space on the capitol complex
- Amendment to Sections 54-16-04 and creation of a new section to Chapter 54-16, relating to Emergency Commission borrowing authority
- Creation of new sections to Chapter 21-10, relating to the deposit of Legacy fund earnings in funds designated for Legacy projects, economic diversification and strategic initiatives, research and innovation, government transformation, and Legacy bond repayment
- Amendment to Section 54-27.2-01, relating to the maximum balance of the Budget Stabilization fund

### **Department of Parks and Recreation**

- Creation of a new section to Chapter 55-08, relating to establishment of a State Parks Challenge Grant program

### **NDUS**

- Amendment to Section 15-18.2-05, relating to higher education base funding and the determination of state aid amounts
- Amendment to Sections 15-10-48 and 15-10-49, relating to the Higher Education Challenge Grant program

### **Commerce**

- Amendment to Section 54-60-29, relating to the Unmanned Aircraft Systems Program fund

- Amendment to Section 54-60-16, relating to the duties of International Business and Trade office

**Public Service Commission**

- Amendments to Sections 49-01-17, 49-22-22, 49-22.1-22, and 64-02-10.1 relating to fee changes and utility assessments

**Department of Environmental Quality**

- Amendment to Section 23.1-10-02, relating to the Environmental Quality Restoration fund.