



STATUS OF THE GENERAL FUND
AND
EXECUTIVE REVENUE FORECAST

Presented to the
BUDGET SECTION
WEDNESDAY, DECEMBER 7, 2022

JOE MORRISSETTE, OFFICE OF MANAGEMENT AND BUDGET DIRECTOR

Pay Adjustments

September 2022

110 OMB

Andrew Nelson \$ 1,106
 Promotion to new classification.

270 CTE

Katherine Larson \$ 1,174
 Paid to update the curriculum/course for adjunct teacher training provided to CDE staff.

November 2022

127 Tax Department

Rachel Gellerman \$ 640
 Shailyn Hieb \$ 640
 Reclassification due to increase in responsibilities.

Retroactive Pay

September 2022

325 DHHS

Eli Peters \$ 885
 Amos Kollie Jr. \$ 659
 Responsibility increases.

October 2022

530 DOCR

Trinsten Guillot \$ 1,140
 Salary was below the minimum for the grade. Brought up to minimum and retro paid for July, August, and September.

November 2022

325 DHHS

Christopher Jones \$ 1,641
 Amanda Havelange \$ 644
 Responsibility increases.

530 DOCR

Christopher Jangula \$ 781
 Responsibility increase.

Grant Applications

Agency	Description	Time Period of Grant	Amount of Grant Requested
Adjutant General/ Emergency Services	The state and local cybersecurity grant will target cybersecurity investments in state, local and territorial govt agencies to improve the security of critical infrastructure and resilience of the services provided to communities.	9/1/2022 – 8/31/2026	\$2,287,118
DOT	DOT to partner with City of Gr Forks and BNSF to advance the \$60 million 42 nd street grade separation project to improve efficiency, connectivity, equity, and safety (PIECES). (3 grants for the same project due to different funding sources and matching requirements)	9/30/2023 – 11/30/2029	\$30,000,000
DOT	DOT to partner with City of Gr Forks and BNSF to advance the \$60 million 42 nd street grade separation project to improve efficiency, connectivity, equity, and safety (PIECES). (3 grants for the same project due to different funding sources and matching requirements)	9/30/2023 – 11/30/2029	\$30,000,000
DOT	DOT to partner with City of Gr Forks and BNSF to advance the \$60 million 42 nd street grade separation project to improve efficiency, connectivity, equity, and safety (CRISI). (3 grants for the same project due to different funding sources and matching requirements)	9/30/2023 – 11/30/2029	\$30,000,000
DOT	The strengthening Mobility and Revolutionizing Transportation (SMART) grant will establish a testing facility for high-tech sensors and communication devices related to infrastructure and traffic monitoring and then communicate that information to the traveling public.	4/1/2023 – 9/1/2024	\$875,000

Grants Awarded

Agency	Description	Time Period of Grant	Amount of Grant Awarded
ITD	State digital equity planning grant program intended to fund a planning exercise relative to program creation.	11/15/202– 11/14/2023	\$516,380

Ag Dept	Local food purchase assistance cooperative program (LFPA) will provide that state and tribal governments purchase domestic food from local/regional, socially disadvantaged farmers/producers and distribute food to underserved communities.	8/15/2022 – 8/14/2024	\$420,000
DOT	Defense community infrastructure pilot program will replace three structures instrumental to resiliency of US Highways 2 and 52.	9/30/2022 – 9/30/2027	\$2,850,000
DOT	Sustainable pavements evaluation process grant provides for training, workshops, demos of tools; proposal development to solicit academic and consultant expertise.	9/1/2022 – 12/1/2024	\$240,000

Commodities and Services Exempt from Procurement Requirements 2022

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 only two procurement exemptions by written directive of OMB:

- Contracts for legal services and testimony related lawsuits for indigent defense.
- Purchases of educational courses and related educational materials selected by the Center for Distance Education

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

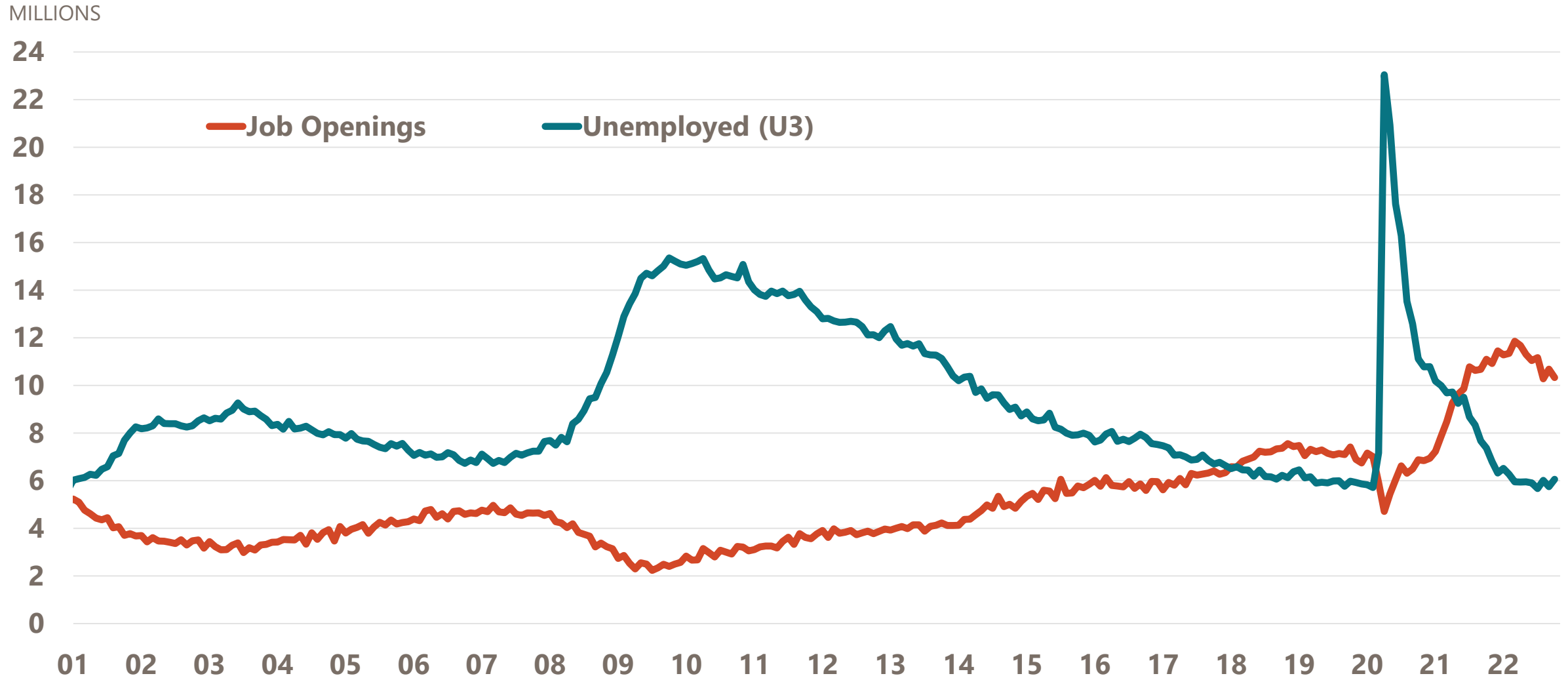
OMB has proposed two new exemptions in its agency bill:

- Resource materials will be added to the existing exemptions for public books, maps, periodicals, and technical pamphlets.
- Services related to abandoned and submerged vehicles as requested by Department of Environmental Quality.

OMB and Higher Education procurement procedures require an approved Alternate Procurement Request for all other noncompetitive purchases over \$10,000.

NOT A RECESSION...YET

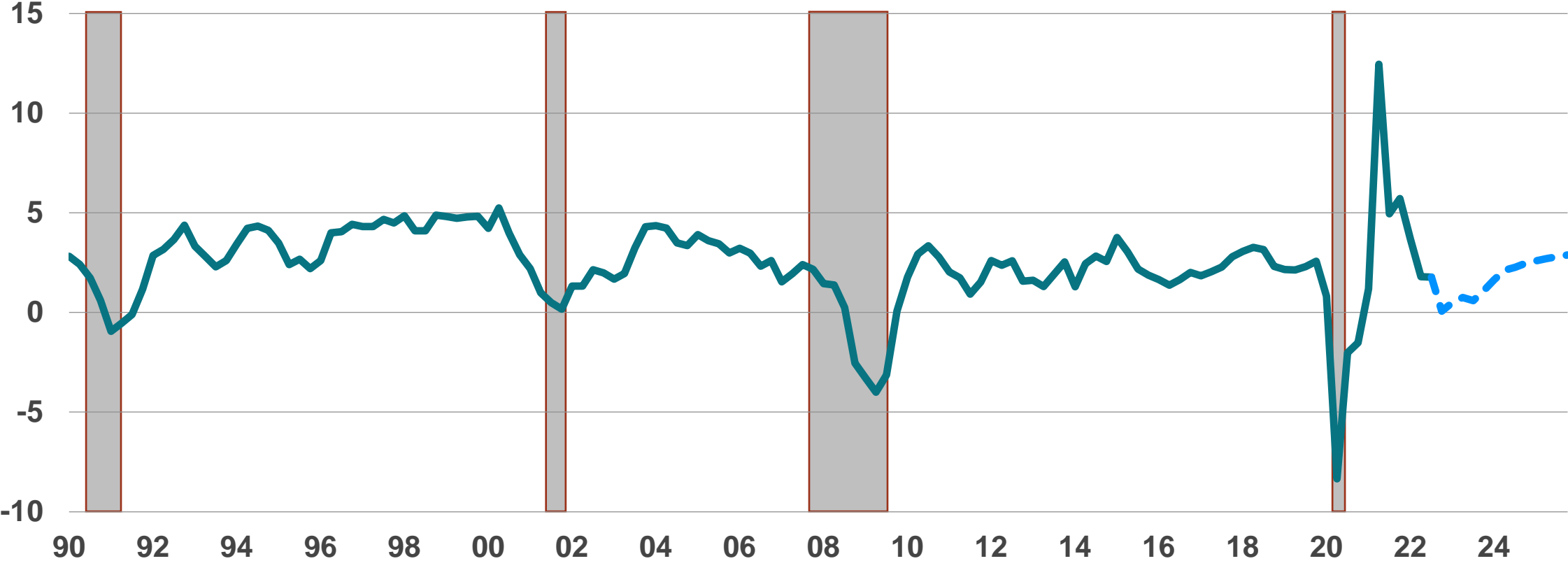
U.S. Job Openings and Unemployed by Year



Sources: BEA, Moody's Analytics

NATIONAL SLOWDOWN ASSUMED IN FORECAST

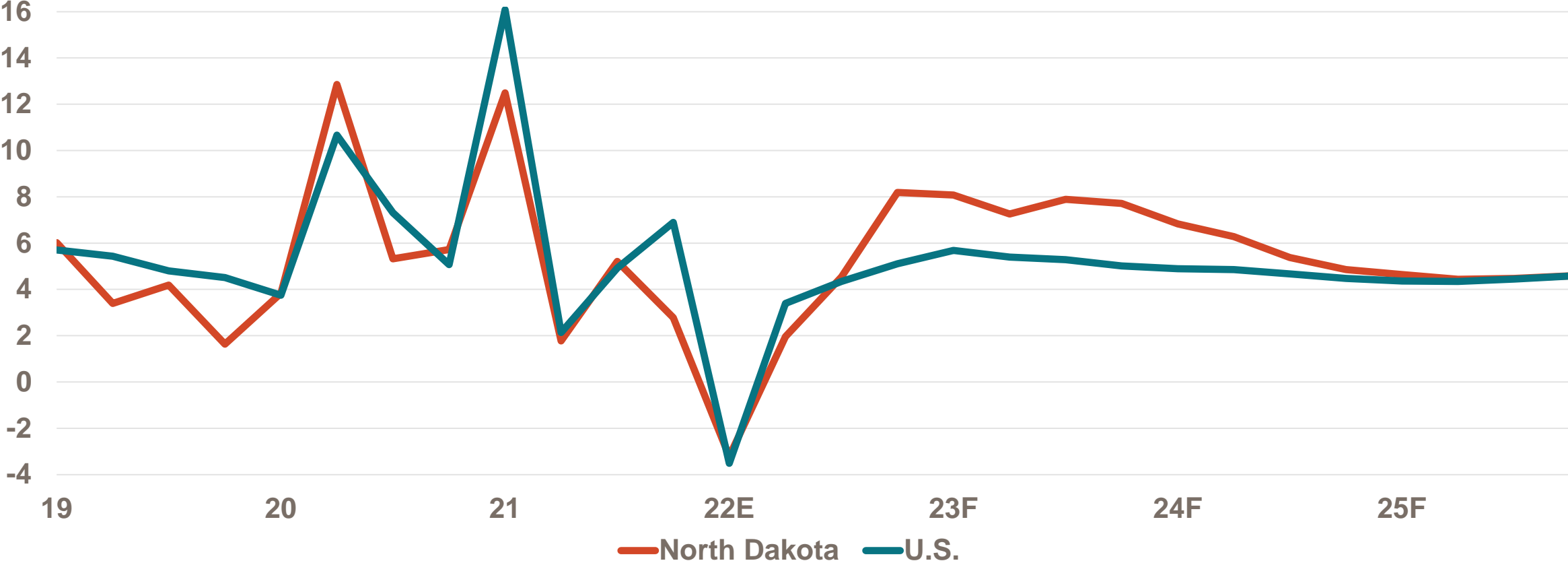
Real gross domestic product, % change yr ago



Sources: BEA, Moody's Analytics

ENERGY INDUSTRY WILL HELP NORTH DAKOTA TO OUTPERFORM

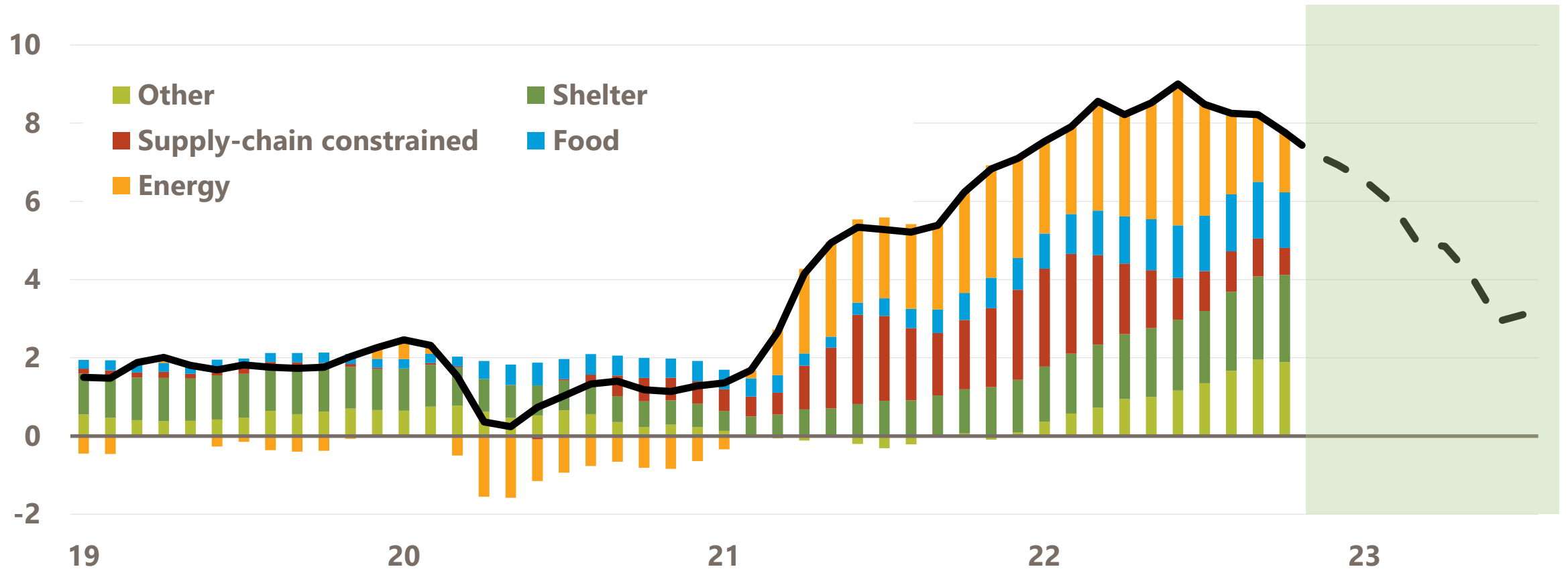
Total personal income, % change yr ago



Sources: BEA, Moody's Analytics

INFLATION HAS TURNED A CORNER, BUT WILL TAKE SOME TIME TO FULLY COOL

Contribution to yr-ago growth in U.S. CPI, ppt



Sources: BEA, Moody's Analytics

Moody's Analytics

SALES AND USE TAX

Revenues Expected to Grow at Slower Rate in 2023-25

MILLIONS

\$1,200

\$1,100

\$1,000

\$900

\$800

\$700

\$600

\$500

\$400

Millions

Nov 2022 Forecast Actual

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

2021	-12.1%
2022	14.4%
2023	12.1%
2024	0.7%
2025	3.4%

MOTOR VEHICLE EXCISE TAX COLLECTIONS

Strong Growth in 2023 Slows as Prices Decline and Supply Increases
Shown Without Impact of Proposed MV Tax Allocation to Highway Fund

MILLIONS

\$180

\$160

\$140

\$120

\$100

\$80

\$60

\$40

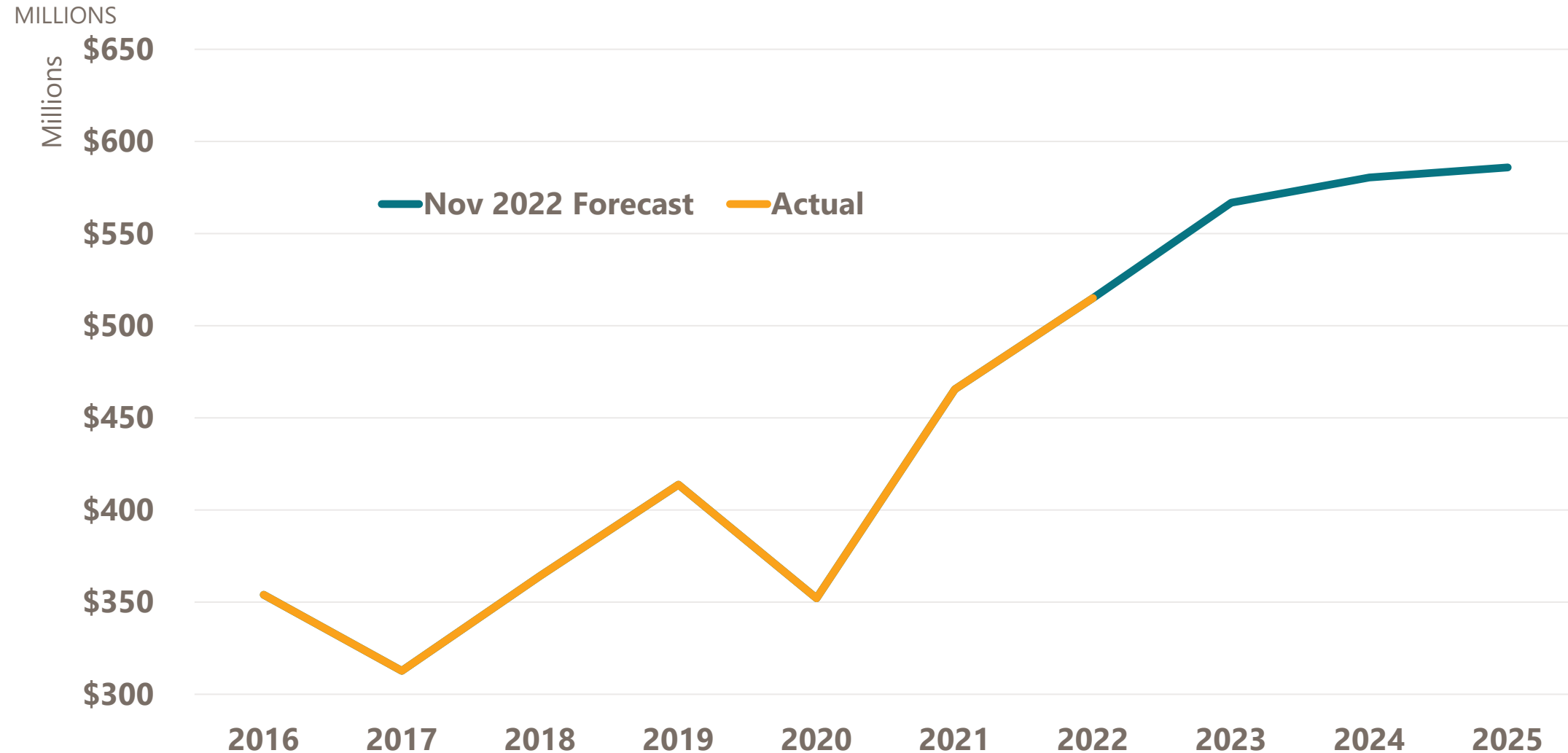
— Nov 2022 Forecast — Actual

2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

2021	17.3%
2022	-1.6%
2023	18.1%
2024	1.7%
2025	1.9%

INDIVIDUAL INCOME TAX

Growth Driven by High Royalties and Strong Labor Market Expected to Slow in 2023-25
Shown Without Impact of Income Tax Relief Measures in 2021-23 and 2023-25



2021	32.2%
2022	10.6%
2023	10.1%
2024	2.4%
2025	0.9%

CORPORATE INCOME TAX

Expected to Decline After Three Consecutive Years of Growth

MILLIONS

300

250

200

150

100

50

0

— Nov 2022 Forecast — Actual

2016

2017

2018

2019

2020

2021

2022

2023

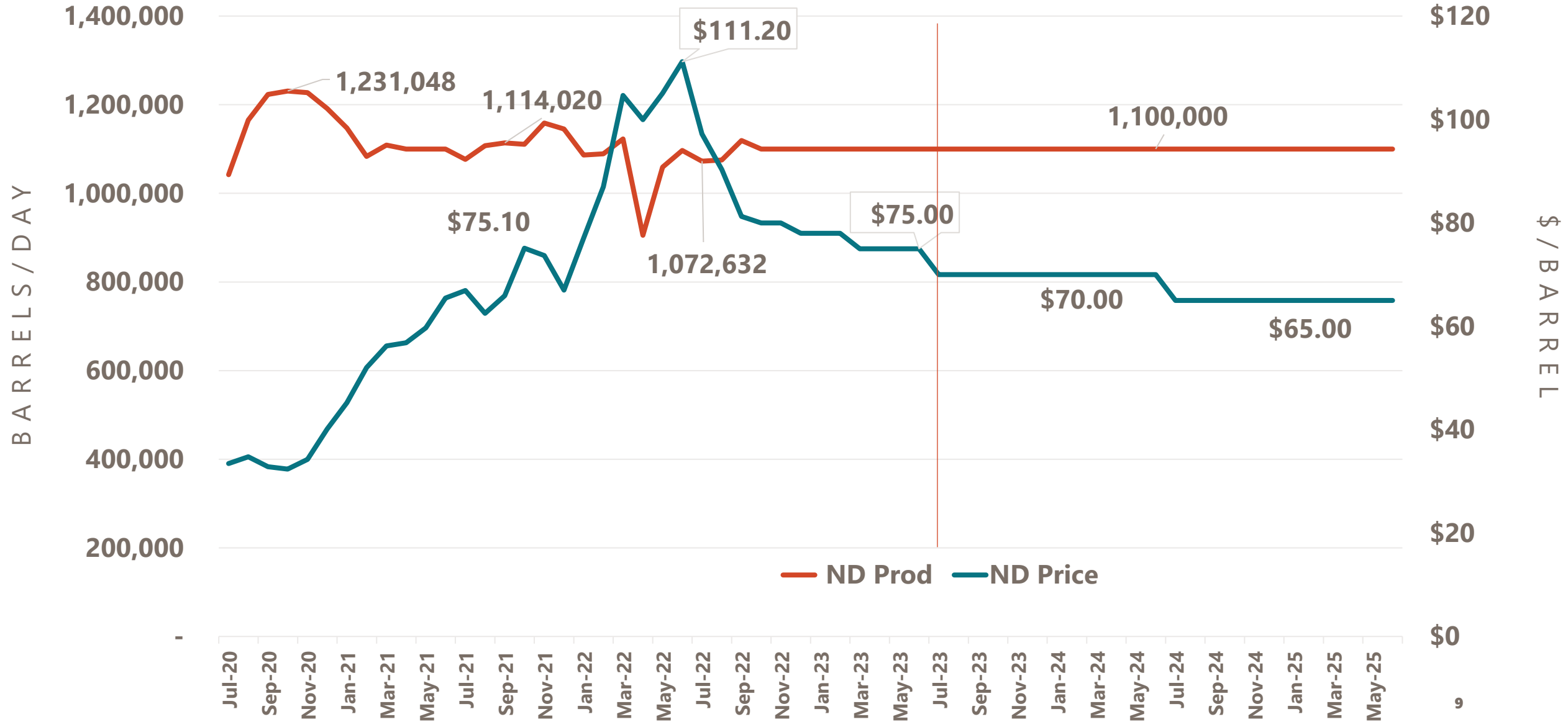
2024

2025

2021	60.4%
2022	29.7%
2023	41.9%
2024	-6.3%
2025	-4.2%

OIL PRICE AND PRODUCTION

21-23 REVISED FORECAST AND 23-25 EXEC FORECAST



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2021-23 Biennium
October 2022

Revenues and Transfers	Fiscal Month				Biennium To Date			
	Revised 2021 Leg. Forecast	Actual	Variance	Percent	Revised 2021 Leg. Forecast	Actual	Variance	Percent
Sales Tax	89,721,780	95,999,763	6,277,983	7.0%	1,184,462,228	1,378,357,898	193,895,670	16.4%
Motor Vehicle Excise Tax	12,470,186	14,182,221	1,712,035	13.7%	175,724,913	198,301,656	22,576,743	12.8%
Individual Income Tax	33,705,716	77,955,153	44,249,437	131.3%	400,223,646	648,519,303	248,295,657	62.0%
Corporate Income Tax	4,279,533	8,760,671	4,481,138	104.7%	120,674,672	274,789,782	154,115,110	127.7%
Insurance Premium Tax	227,331	357,846	130,515	57.4%	56,163,403	70,123,426	13,960,023	24.9%
Oil & Gas Production Tax	-	-	-	0.0%	266,112,633	266,112,633	-	0.0%
Oil Extraction Tax	-	-	-	0.0%	133,887,368	133,887,368	-	0.0%
Gaming Tax	-	41,141	41,141	100.0%	-	377,135	377,135	100.0%
Lottery	-	-	-	0.0%	7,300,000	5,600,000	(1,700,000)	-23.3%
Cigarette & Tobacco Tax	1,786,641	1,956,417	169,776	9.5%	30,308,473	31,601,532	1,293,059	4.3%
Wholesale Liquor Tax	663,065	800,157	137,092	20.7%	11,413,692	13,487,245	2,073,553	18.2%
Mineral Leasing Fees	2,531,266	5,803,486	3,272,220	129.3%	24,027,731	58,607,922	34,580,191	143.9%
Departmental Collections	1,291,979	2,524,841	1,232,862	95.4%	51,473,485	50,395,266	(1,078,219)	-2.1%
Interest Income	650,604	782,367	131,763	20.3%	27,579,206	6,699,679	(20,879,527)	-75.7%
State Mill & Elevator-Transfer	-	-	-	0.0%	7,750,000	6,971,950	(778,050)	-10.0%
Bank of North Dakota - Transfer	-	-	-	0.0%	-	-	-	0.0%
SIIF - Transfer	-	-	-	0.0%	410,000,000	410,000,000	-	0.0%
Gas Tax Administration	234,218	234,218	-	0.0%	1,405,308	1,405,308	-	0.0%
Miscellaneous	-	235,483	235,483	100.0%	-	13,034,243	13,034,243	100.0%
Total Revenues and Transfers	147,562,319	209,633,764	62,071,445	42.1%	2,908,506,758	3,568,272,346	659,765,588	22.7%

GENERAL FUND STATUS STATEMENT
2021-23 BIENNIUM
AS OF OCTOBER 31, 2022

Beginning Balance:		
Beginning Unobligated Balance - July 1, 2021	\$1,122,353,345	
Balance Obligated for Authorized Carryover of Appropriations	<u>72,766,911</u>	
Total Beginning Balance		\$1,195,120,256
Revenues:		
Revenues Collected to Date	3,568,272,346	
Remaining Forecasted Revenues - Revised December 2022	<u>1,591,816,966</u>	
Total Revenues		<u>5,160,089,312</u>
Total Available		\$6,355,209,568
Expenditures:		
Legislative Appropriations - Ongoing	(\$4,878,358,837)	
Legislative Appropriations - One-time	(114,598,493)	
TRPL Loan Repayment	(17,500,000)	
Authorized carryover from Previous Biennium	<u>(72,766,911)</u>	
Total Authorized Expenditures		(\$5,083,224,241)
Anticipated Deficiency Requests:		
OMB	(\$765)	
Attorney General	(75,000)	
Ethics Commission	(97,000)	
Higher Ed - UND	(430,101)	
Dakota College Bottineau	(99,768)	
DHHS	(25,000,000)	
Adjutant General	(14,556,524)	
Dept. of Agriculture	<u>(1,700,000)</u>	
Total Deficiency Requests		(\$41,959,158)
Anticipated Turnback:		
OMB	\$1,100,000	
Auditor	50,000	
Treasurer	10,000	
Tax	1,500,000	
DPI	40,000,000	
State Library	200,000	
CTE	25,000	
Vets Affairs	25,000	
DHHS	120,000,000	
Dept of Labor	129,019	
Highway Patrol	50,000	
DOCR	5,213,615	
Adjutant General	1,000,000	
Commerce	250,000	
Dept. of Agriculture	25,000	
NDPRD	<u>76,516</u>	
Total Turnback		<u>\$169,654,150</u>
Estimated Ending Balance Before Transfers - June 30, 2023		\$1,399,680,319
Transfer to PERS		(250,000,000)
Transfer from Budget Stabilization Fund		<u>117,776,384</u>
Estimated Ending Balance - June 30, 2023		<u>\$1,267,456,703</u>

General Fund Status Statement

	2019-21	2021-23		2023-25
	Actual ^{\1}	Legislative Appropriation	Revised Estimate	Executive Budget
Beginning Balance	\$65,000,000	\$710,259,973	\$1,122,353,345 ^{\2}	\$1,267,456,703
Revenue	\$5,751,904,322	\$4,346,281,995	\$5,160,089,312 ^{\3}	\$5,006,556,636 ^{\3}
Expenditures:				
Original Appropriations - One Time	(\$48,639,068)	(\$114,598,493)	(\$114,598,493)	(\$374,889,588)
Original Appropriations - Ongoing	(4,794,924,098)	(4,878,358,837)	(4,878,358,837)	(5,489,362,606)
Adjustments for Emergency Clauses	(100,000)	0	0	0
Appropriation from 2021 Special Session	0	0	(17,500,000) ^{\5}	0
Supplemental Appropriations	(123,140,000)	0	(41,959,158)	0
Unspent Authority/Adjustments	337,781,703	0	169,654,150	0
Total Expenditures	(\$4,629,021,463)	(\$4,992,957,330)	(\$4,882,762,338)	(\$5,864,252,194)
Ending Balance Before Transfers	\$1,187,882,859	\$63,584,638	\$1,399,680,319	\$409,761,145
Transfers and Adjustments:				
Transfer to Budget Stabilization Fund	\$0 ^{\4}	\$0 ^{\4}	\$0 ^{\6}	\$0
Transfer to PERS for Retirement	0	0	(250,000,000) ^{\7}	0
Transfer from the Budget Stabilization Fund	0	0	117,776,384 ^{\8}	0
Adjustments and Cash Certifications	(65,529,514)	0	0	0
Total Transfers and Adjustments	(\$65,529,514)	\$0	(\$132,223,616)	\$0
Ending Balance	\$1,122,353,345	\$63,584,638	\$1,267,456,703	\$409,761,145

^{\1} Final revenues and expenditures per state accounting system reports dated June 30, 2021.

^{\2} Actual July 1, 2021 balance.

^{\3} Based on actual revenues through October 31, 2022, and estimated revenues for the remainder of the biennium using the November 2022 executive revenue forecast.

^{\4} 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.

^{\5} Appropriation from November 2021 special session for loan repayment for the Theodore Roosevelt Presidential Library.

^{\6} The executive recommendation is proposing change to how the 15.0 percent amount is calculated for the Budget Stabilization Fund balance in NDCC Section 54-27.2-01. Currently it is based on total General Fund appropriations, the requested change has it based on ongoing appropriation minus the of General Fund state school aid funding. This would bring the required balance in the fund to \$602.2 million, therefore no transfer would be needed.

^{\7} One-time transfer to the Public Employees Retirement System for the closure of the defined benefits plan.

^{\8} Per NDCC 54-27.2-01 a transfer is required if the fund has more than 15.0 percent of the most current biennial General Fund ongoing budget minus the state aid student funding. The proposed transfer to the General Fund is based on the proposed change in how the Budget Stabilization Fund required balance is calculated, as described in footnote #6.

2023-25 EXECUTIVE REVENUE FORECAST

OFFICE OF MANAGEMENT & BUDGET

	2021-23			2023-25	
	2021 Legislative Forecast	Revised Forecast	Change	Executive Forecast *	Change from 2021-23 Revised Forecast
Tax Types					
Sales and Use Taxes	\$1,765,334,000	\$2,070,186,286	\$304,852,286	\$2,240,739,965	\$170,553,679
Motor Vehicle Excise Tax *	260,864,000	300,759,073	39,895,073	208,606,006	(92,153,067)
Individual Income Tax	570,400,000	908,456,440	338,056,440	649,746,477	(258,709,963)
Corporate Income Tax	207,000,000	483,718,299	276,718,299	492,657,518	8,939,219
Insurance Premium Tax	101,573,801	126,799,744	25,225,943	132,499,378	5,699,634
Oil and Gas Production Tax	243,898,464	266,112,633	22,214,169	303,092,785	36,980,152
Oil Extraction Tax	156,101,536	133,887,368	(22,214,168)	296,907,215	163,019,847
Gaming Tax	9,492,920	36,801,316	27,308,396	37,300,000	498,684
Cigarette and Tobacco Tax	43,775,200	46,241,044	2,465,844	44,846,545	(1,394,499)
Wholesale Liquor Tax	16,932,000	19,812,374	2,880,374	20,268,633	456,259
Mineral Leasing Fees	35,000,000	84,432,749	49,432,749	60,000,000	(24,432,749)
Departmental Collections	78,075,658	76,750,124	(1,325,534)	75,447,690	(1,302,434)
Interest Income	50,000,000	13,992,750	(36,007,250)	30,000,000	16,007,250
Total Revenues Before Transfers	\$3,538,447,579	\$4,567,950,200	\$1,029,502,621	\$4,592,112,212	\$24,162,012
Ongoing Transfers					
Bank of North Dakota Profits	\$140,000,000	\$140,000,000	\$0	\$0	(\$140,000,000)
Transfers from State Mill Profits	15,500,000	14,721,950	(778,050)	0	(14,721,950)
Lottery	14,600,000	12,400,000	(2,200,000)	12,600,000	200,000
Gas Tax Administration	1,873,744	1,873,744	0	1,844,424	(29,320)
Total Ongoing Transfers	\$171,973,744	\$168,995,694	(\$2,978,050)	\$14,444,424	(\$154,551,270)
One-time Transfers					
Strategic Investment & Improvements Fund	\$410,000,000	\$410,000,000	\$0	\$400,000,000	(\$10,000,000)
Budget Stabilization Fund	0	0	0	0	0
Miscellaneous Transfers	0	13,143,419	13,143,419	0	(13,143,419)
Total One-time Transfers	\$410,000,000	\$423,143,419	\$13,143,419	\$400,000,000	(\$23,143,419)
Total Revenues and Transfers	\$4,120,421,323	\$5,160,089,313	\$1,039,667,990	\$5,006,556,636	(\$153,532,677)

* The 2023-25 Executive Recommendation is proposing transferring \$125.8 million in Motor Vehicle Excise Tax revenue to the Highway Fund. This equates to 25% of revenue the first year of the biennium and 50% the second year. The amount listed is only the portion that would remain in the General Fund. The total amount of forecasted revenue for the 2023-25 biennium is \$334,389,719.

2023-25 BIENNIUM OIL AND GAS TAX REVENUES

OFFICE OF MANAGEMENT & BUDGET

	2021-23			2023-25	
	2021 Legislative Forecast	OMB Revised Forecast	Change	Executive Forecast	Change from 2021-23 Revised Forecast
Allocation					
Counties and Cities	\$518,220,000	\$847,909,596	\$329,689,596	\$686,537,775	(\$161,371,821)
Tribal Allocations	486,890,000	708,716,390	221,826,390	682,952,584	(25,763,806)
Legacy Fund	971,340,000	1,592,957,865	621,617,865	1,372,406,975	(220,550,890)
Foundation Aid Stabilization Fund	158,690,000	254,552,125	95,862,125	224,390,545	(30,161,580)
Common Schools Trust Fund	158,690,000	254,552,125	95,862,125	224,390,545	(30,161,580)
Resources Trust Fund	321,110,000	517,631,855	196,521,855	455,800,617	(61,831,238)
Renewable Energy Development Fund	3,000,000	3,000,000	0	3,000,000	0
Energy Conservation Grant Fund	1,200,000	1,200,000	0	1,200,000	0
Oil and Gas Research Fund	14,500,000	14,500,000	0	14,500,000	0
State Energy Research Fund	5,000,000	5,000,000	0	5,000,000	0
North Dakota Outdoor Heritage Fund	15,000,000	15,000,000	0	15,000,000	0
Well Plugging and Site Reclamation Fund	11,720,000	15,000,000	3,280,000	15,000,000	0
General Fund	400,000,000	400,000,000	0	600,000,000	200,000,000
Tax Relief Fund	200,000,000	200,000,000	0	200,000,000	0
Budget Stabilization Fund	0	9,646,249	9,646,249	0	(9,646,249)
State Disaster Fund	18,190,000	15,511,903	(2,678,097)	3,500,000	(12,011,903)
Municipal Infrastructure Fund	11,990,000	115,000,000	103,010,000	115,000,000	0
County/Township Infrastructure Fund	11,990,000	115,000,000	103,010,000	115,000,000	0
Airport Infrastructure Fund	0	20,000,000	20,000,000	20,000,000	0
Lignite Research Fund	10,000,000	10,000,000	0	10,000,000	0
Strategic Investment and Improvements Fund	400,000,000	898,554,781	498,554,781	493,963,459	(404,591,322)
Total Oil and Gas Taxes	\$3,717,530,000	\$6,013,732,889	\$2,296,202,889	\$5,257,642,500	(\$756,090,389)

Executive Forecast

Oil Price Range for the Remainder of the 2021-23 Biennium: \$75.00 per barrel (ND Price)

Oil Price Range for 2022-25: \$70.00 per barrel (ND price) for FY2024 and \$65.00 per barrel (ND price) for FY2025

Oil Production Assumption: 1.10 million barrels per day for FY2024 and 1.10 million barrels per day for FY2025

PROPOSED STATUTORY CHANGES

Affecting Revenues or Agency Duties

Management and Budget

- Amendment to Section 54-21-19, regarding the method used to calculate rent charges for space on the capitol complex
- Amendment to Section 54-27.2-01, relating to the maximum balance of the Budget Stabilization Fund
- Amendment to Section 48-10-02, relating to the Capitol Grounds Planning Commission authority to set capitol space standard
- Motor vehicle excise tax to Highway Fund
- Amendment to NDCC 54-52.1, related to a third health plan option
- Amendment to North Dakota Century Code Section 57-51.1-07.5, relating to oil tax allocations to the General Fund
- Amendment to NDCC 21-10-13, relating to a change in Legacy Fund streams and calculation of income for distribution

Industrial Commission

- Suspend North Dakota Century Code Section 54-18-19, relating to the transfer of North Dakota mill and elevator profits to General Fund
- Amendment to North Dakota Century Code Section 54-18-20, relating to the mill and elevator gain-sharing program

University System

- Amendment to North Dakota Century Code Section 15-10-48 and 15-10-48.1 and 15-10-49 relating to matching grants (Challenge Grant) for higher ed institutions
- Amendment to North Dakota Century Code Section 15-18.2-05, relating to the base funding for higher ed institutions, including 96% hold harmless clause

Environmental Quality

- Amending Section 23.1-10-02 to adjust the excess funding transfer to the General Fund from the environmental quality restoration fund

Public Instruction

- Amendment to NDCC Section 15.1-27-04.1, relating to per student payment rates
- Amendment to NDCC Section 15.1-27-04.1(3)(c) for transition maximum changes
- Amendment to NDCC Section 15.1-27-03.1 (1)(n) for on-time funding

Health and Human Services

- Amendment to NDCC Section 50-29-04 to update the Children's Health Insurance Plan modified adjusted gross income eligibility limit to 210% of the poverty line
- Repeal Section 50-06-32 of North Dakota Century Code for autism voucher

Indigent Defense

- Amendment to NDCC section to 54-44.1-11, relating to carrying over a portion of General Fund turnback