

November 2004

PRELIMINARY OUTLOOK - NORTH DAKOTA 2005-07 BIENNIUM GENERAL FUND BUDGET¹

Beginning balance		
Estimated balance - June 30, 2005		\$118,243,714 ²
Add anticipated Department of Human Services unspent general fund appropriation authority (turnback)		3,900,000 ³
Less potential deficiency appropriation requests		(11,086,000) ⁴
Estimated balance - July 1, 2005		\$111,057,714
Revenues		
2005-07 biennium preliminary general fund revenue forecast		
Revenues (a \$102.5 million increase compared to 2003-05 original projection and a \$69.2 million increase compared to the 2003-05 revised forecast)	\$1,754,228,000 ⁵	
Transfers	96,296,200 ⁶	
Total revenues		\$1,850,524,200
Total 2005-07 biennium resources		\$1,961,581,914
Appropriations		
2003-05 biennium general fund appropriations	\$1,803,661,161	
General fund requirements due to 2003 legislative action or federal program changes		
Department of Corrections and Rehabilitation use of federal violent offender incarceration and truth in sentencing funds for the transition center in the 2003-05 biennium	1,900,000	
ConnectND debt service and operational costs	1,500,000	
Replace Children's Services Coordinating Committee "refinancing" funds in the Department of Human Services, Department of Corrections and Rehabilitation, and the judicial branch ("refinancing" funds will not be available in the 2005-07 biennium)	1,000,000	
Increased bond payments (includes higher education projects)	2,400,000	
Information Technology Department costs funded from agency special funds related to agency information technology funding reductions	862,000	
Department of Human Services estimate of additional state matching funds needed for Department of Human Services programs due to the reduction in the federal medical assistance percentage	32,300,000	
Other potential general fund spending increases that the 2005 Legislative Assembly may be asked to consider		
Additional medical assistance funding based on the Economy.com 4.5% annual medical price increase estimate for the 2005-07 biennium (the Department of Human Services budget request was not submitted as of October 29, 2004)	26,100,000	
Additional funding for elementary and secondary education (the average funding increase for the previous three bienniums)	26,700,000	
Additional funding for higher education (based on the University System's request for 21% of the state general budget)	26,700,000	
State employee salary increases, excluding higher education. The amount shown would provide for a 3% first-year increase and a 2% second-year increase. A 4% first-year increase and 4% second-year increase would cost \$20 million.	13,600,000	
State employee health insurance increases. The amount shown is based on a 14% increase for the biennium, as reported by the Public Employees Retirement System.	7,200,000	
Additional funding for sexual offender treatment services at the State Hospital due to caseload increases	2,000,000	
Inflationary increases of 2% per year for remaining expenditures. This amount does not reflect additional amounts being requested in agency budget requests.	7,000,000	
Total appropriations		\$1,952,923,161
Estimated remaining funds to provide for other potential general fund requirements and a June 30, 2007, ending balance		\$8,658,753

¹This schedule is prepared as an early discussion paper regarding the 2005-07 biennium budget. All revenue items are subject to updated revenue estimates expected in December 2004 for the remainder of this biennium and the 2005-07 biennium.

Although amounts are shown for possible increases in state employee salaries, elementary and secondary education, higher education, medical assistance, etc., they 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. In addition, the Governor is proposing a number of initiatives beginning in the 2005-07 biennium; however, the details have not yet been released, and these amounts are not reflected on this schedule. The initiatives include:

- Centers of excellence - \$50,000,000
- Veterans benefits - \$3,500,000
- Teacher salaries - \$75,000,000 over four years

²Office of Management and Budget estimate based on the revised revenue estimate for the 2003-05 biennium released in August 2004. The 2003 Legislative Assembly estimated the June 30, 2005, balance to be \$10.3 million. The increase of \$107.9 million relates to:

- The July 1, 2003, balance exceeding the legislative estimate by \$9.4 million
- The revised 2003-05 biennium revenue forecast anticipating an additional \$33.3 million of general fund revenues
- Actual general fund revenues for July through September 2004, exceeding the revised estimate by \$8.6 million
- Federal fiscal relief funds received during the 2003-05 biennium of \$50 million deposited in the general fund
- Enhanced federal Medicaid matching funds received by the Department of Human Services and deposited in the general fund of \$6.5 million
- Other net adjustments of \$100,000

³The Department of Human Services anticipates having \$5.1 million of unspent general fund appropriation authority (turnback) relating to the enhanced federal medical assistance percentage during the 2003-05 biennium but expects to use \$1.2 million of the general fund savings to expand the sexual offender treatment program at the State Hospital.

⁴Potential 2003-05 biennium deficiency appropriation requests include:

Department of Corrections and Rehabilitation	\$1,250,000
Division of Emergency Management - State share of disaster recovery costs	6,585,000
Information Technology Department	1,070,000
North Dakota State University - 2000 flood recovery costs	1,500,000
University of North Dakota - 1997 flood recovery costs	371,000
Veterans Home	200,000
Attorney General - Arrest and return of fugitives' costs, prosecution witness fees, and crime lab costs	110,000
Total	\$11,086,000

⁵This estimate is based on the Office of Management and Budget preliminary (August 2004) revenue forecast for the 2005-07 biennium (attached as an appendix) which anticipates revenues increasing by \$102.5 million. Revenues are anticipated to increase by 6.2% (approximately 3.1% per year) compared to the 2003-05 legislative revenue projection and 4.1% (approximately 2% per year) compared to the Office of Management and Budget revised 2003-05 revenue projection.

⁶The amount shown reflects the following transfers to the general fund compared to the 2003-05 biennium:

	2003-05	2005-07	Variance
Bank of North Dakota	\$60,000,000	\$60,000,000	\$0
Student loan trust fund	26,258,969	9,000,000	(17,258,969)
Mill and Elevator	5,000,000	5,000,000	0
Gas tax administration	1,396,200	1,396,200	0
Lands and minerals trust fund	2,000,000	2,000,000	0
Permanent oil tax trust fund	11,910,000	0	(11,910,000)
Water development trust fund	10,070,373	0	(10,070,373)
State bonding fund	2,800,000	0	(2,800,000)
Health care trust fund	35,911,035	18,900,000	(17,011,035)
Information technology savings transfer	1,400,000	0	(1,400,000)
Total transfers	\$156,746,577	\$96,296,200	(\$60,450,377)

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