

## PRELIMINARY BUDGET OUTLOOK - 2017-19 BIENNIUM

The schedule below is a preliminary outlook of the 2017-19 biennium general fund budget. The outlook is based upon 2015-17 biennium revenue and appropriations levels. The estimate for 2017-19 biennium general fund revenues is based on the February 2016 revised revenue forecast. The schedule also identifies estimated costs to continue various programs at current levels based upon actions by the 2015 Legislative Assembly and other factors. The schedule does not reflect any potential changes to general fund revenue or appropriation amounts due to actions of the 2017 Legislative Assembly.

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
Beginning balance			
Estimated balance - June 30, 2017 <sup>1</sup>		\$0	\$0
Add estimated 2015-17 state school aid turnback <sup>2</sup>		17,300,000	17,300,000
Less: Deficiency appropriations		0	0
Potential transfer to budget stabilization fund <sup>3</sup>		0	0
Estimated balance - July 1, 2017		\$17,300,000	\$17,300,000
Revenues			
2017-19 biennium revenues <sup>4</sup>	\$4,167,736,000		\$4,167,736,000
Transfers <sup>5</sup>	131,135,000	\$300,000,000	431,135,000
Total revenues	\$4,298,871,000	\$300,000,000	\$4,598,871,000
Total 2017-19 biennium resources	\$4,298,871,000	\$317,300,000	\$4,616,171,000
Appropriations			
2015-17 biennium ongoing general fund appropriations	(\$4,852,498,820)		(\$4,852,498,820)
Potential funds available (shortfall)	(\$553,627,820)	\$317,300,000	(\$236,327,820)
Less general fund requirements due to 2015 legislative action or federal program changes:			
• Cost-to-continue the second-year 3 percent performance-based employee salary increase for 2 years in the 2017-19 biennium	(\$10,500,000)		(\$10,500,000)
• Continuation of funding pool for state agencies to access for providing health insurance to temporary employees in accordance with the federal Affordable Care Act (one-time funding in 2015-17 biennium)		(\$2,500,000)	(2,500,000)
• Cost-to-continue the second-year state school aid per student payment levels for 2 years in the 2017-19 biennium assuming no increase in student enrollment (\$62.7 million increase compared to 2015-17 estimated expenditures less \$20.3 million of anticipated 2015-17 turnback)	(42,400,000)		(42,400,000)
• Cost-to-continue state school aid at the 2015-17 biennium second-year integrated payment rate to an estimated 10,512 additional students during the 2017-19 biennium	(101,200,000)		(101,200,000)
• Increase in local share of state school aid during the 2017-19 biennium, assuming a 12.9 percent increase in property valuations	82,900,000		82,900,000
• Additional funding for state school aid payments from common schools trust fund distributions	80,000,000		80,000,000
• Cost-to-continue the 3 percent second-year inflationary increase for Department of Human Services (DHS) providers for 2 years in the 2017-19 biennium	(12,000,000)		(12,000,000)
• Increased costs for DHS related to the federal Affordable Care Act requiring the state to pay 5 percent of the costs attributed to Medicaid Expansion beginning on January 1, 2017	(35,300,000)		(35,300,000)

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<ul style="list-style-type: none"> <li>• Cost-to-continue paying the counties' share of costs relating to child welfare programs, service payments for elderly and disabled program, and technology costs (state took over costs January 1, 2016)</li> </ul>	(7,850,000)		(7,850,000)
<ul style="list-style-type: none"> <li>• Funding for the North Dakota University System for the higher education funding formula, reflecting an increase in completed credits</li> </ul>	(12,700,000)		(12,700,000)
<ul style="list-style-type: none"> <li>• Continuation of state-paid property tax relief credits (one-time funding in the 2015-17 biennium)</li> </ul>		(300,000,000)	(300,000,000)
Total cost-to-continue items	(\$59,050,000)	(\$302,500,000)	(\$361,550,000)
Remaining balance available (shortfall)	(\$612,677,820)	\$14,800,000	(\$597,877,820)
Other potential selected general fund spending increases the Legislative Assembly in 2017 may be asked to consider:			
<ul style="list-style-type: none"> <li>• State employee health insurance increases based on an estimated 15 percent premium increase, the same percentage increase as the 2015-17 biennium (monthly premium increasing from \$1,130 to \$1,300)</li> </ul>	(\$22,800,000)		(\$22,800,000)
Total other potential selected general fund spending increases (See note below)	(\$22,800,000)		(\$22,800,000)
<b>Estimated 2017-19 biennium balance (shortfall)</b>	<b>(\$635,477,820)</b>	<b>\$14,800,000</b>	<b>(\$620,677,820)</b>

**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**
  - b. **State school aid increases**
  - c. **Cost, caseload, and utilization increases for DHS programs**
  - d. **Inflationary increases for DHS providers**
  - e. **Higher education inflationary increases**
  - f. **Department of Corrections and Rehabilitation increased costs associated with inmate increases**
  - g. **State building projects**
  - h. **Special transportation and infrastructure distributions to political subdivisions**
  - i. **General fund transfers to the highway fund for road projects**
  - j. **Other agency budget requests, Governor's recommendations, and legislative initiatives**
2. **Spending reductions that could result from:**
  - a. **Continuing the 4.05 percent reduced spending level for the 2017-19 biennium**
  - b. **Other agency budget reductions**
3. **Additional sources of funding that could be available, including:**
  - a. **Budget stabilization fund balance**
  - b. **Strategic investment and improvements fund balance**
  - c. **Bank of North Dakota profits**
  - d. **Legacy fund earnings accrued prior to July 1, 2017**
  - e. **Legacy fund principal (up to 15 percent upon approval by two-thirds of the Legislative Assembly)**

<sup>1</sup>The estimated June 30, 2017, balance is based on the Office of Management and Budget February 2016 revenue forecast for the 2015-17 biennium.

<sup>2</sup>Section 13 of 2015 Senate Bill No. 2015 provides for the Department of Public Instruction to distribute up to \$3 million of unused integrated formula payment funding to school districts for additional transportation grants at the end of the 2015-17 biennium. The amount shown for estimated state school aid turnback is based upon an estimated \$20.3 million of unused integrated formula payment funding less \$3 million of the unused funding being distributed for additional transportation grants.

<sup>3</sup>The amount shown as a potential transfer to the budget stabilization fund is based on statutory provisions requiring any ending general fund balance amounts in excess of \$65 million to be deposited in the budget stabilization fund. The budget stabilization fund balance is limited to 9.5 percent of biennial general fund appropriations.

<sup>4</sup>The amount shown reflects an annual revenue increase of 4 percent from the Office of Management and Budget's February 2016 revised revenue forecast, excluding oil and gas tax allocations which are limited to \$300 million per biennium. Compared to the February 2016 revised revenue forecast, the amount shown for the estimated 2017-19 biennium ongoing revenue reflects an increase of \$291.5 million. Excluding the growth in fiscal years 2011 and 2012, the average annual ongoing general fund revenue increase was 4.4 percent between fiscal years 1998 and 2015.

<sup>5</sup>The amount shown reflects the following major transfers to the general fund compared to the 2015-17 biennium:

	<b>2015-17 Biennium</b>	<b>2017-19 Biennium</b>	<b>Variance</b>
Mill and Elevator	\$13,775,000	\$13,775,000	\$0
Lottery	15,260,000	15,260,000	0
Gas tax administration	2,030,496	2,100,000	69,504
Tax relief fund	657,000,000	300,000,000	(357,000,000)
Legacy fund (earnings after June 30, 2017)	0	100,000,000	100,000,000
<b>Total transfers</b>	<b>\$688,065,496</b>	<b>\$431,135,000</b>	<b>(\$256,930,496)</b>