

Budget Overview

Presented to the
Budget Section

December 8, 2010



Pam Sharp, Director
Office of Management and Budget

**GENERAL FUND STATUS STATEMENT
AS OF OCTOBER 31, 2010
BASED ON THE NOVEMBER 2010 EXECUTIVE REVENUE FORECAST**

2009-11 Biennium

Beginning balance:

Beginning unobligated balance - July 1, 2009	\$361,843,514	
Balance obligated for authorized carryover	<u>76,383,530</u>	
Total beginning balance		\$438,227,044

Revenue:

Revenue collected to date	\$1,945,602,968	
Remaining forecast	<u>1,033,035,851</u>	
Total revenue		<u>2,978,638,819</u>

Total available		\$3,416,865,863
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Expenditures:

Original appropriations - One time	(\$278,984,727)	
Original appropriations - Ongoing	(2,970,380,754)	
Contingent appropriation - Centers of Excellence (SB2018)	(5,000,000)	
Contingent appropriation - School district transportation (HB1013)	(5,000,000)	
Authorized carryover	(76,383,530)	
Supplemental request (disabled veterans credit)	(461,000)	
Supplemental request (homestead tax credit)	(1,349,000)	
Supplemental request (VCSU)	(58,904)	
Estimated unspent authority	<u>5,000,000</u>	
Estimated expenditures		<u>(3,332,617,915)</u>

Ending balance before transfers		\$84,247,948
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Transfer to budget stabilization fund		<u>(4,620,406)</u> ^{\1}
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Estimated ending balance - June 30, 2011		\$79,627,542
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2011-13 Biennium

Revenue		<u>\$3,271,678,675</u>
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Total available		\$3,351,306,217
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Expenditures:

Recommended appropriations - One time	(\$110,491,307)	
Recommended appropriations - Ongoing	<u>(3,185,078,234)</u>	
Estimated expenditures		<u>(3,295,569,541)</u>

Estimated ending balance - June 30, 2011		<u><u>\$55,736,676</u></u>
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^{\1} Transfer based on recommended 2011-13 general fund appropriations

**PERMANENT OIL TAX TRUST FUND STATUS STATEMENT
AS OF OCTOBER 31, 2010
BASED ON THE NOVEMBER 2010 EXECUTIVE REVENUE FORECAST**

2009-11 Biennium

Beginning balance - July 1, 2009		\$489,727,017
Revenue:		
Revenue collected to date	\$429,798,186	
Remaining forecasted revenues	<u>460,410,671</u>	
Total revenue		<u>890,208,857</u> ^{\1}
Total available		\$1,379,935,874
Appropriations and transfers:		
Transfer to general fund	(\$140,000,000)	
Transfer to general fund - Mill levy reduction program	(295,000,000)	
Transfer to property tax relief sustainability fund	(295,000,000)	
Appropriation authority carried over from previous biennium	(9,426,158)	
Appropriations authorized by 2009 legislature	(16,175,100)	
Recommended 2009-11 supplemental transfer	<u>(4,233,000)</u>	
Total appropriations and transfers		<u>(759,834,258)</u>
Estimated ending balance - June 30, 2011		\$620,101,616

2011-13 Biennium

Revenue		<u>\$608,271,000</u> ^{\1}
Total available		\$1,228,372,616
Recommended appropriations and transfers:		
Department of Human Services MMIS	(\$1,474,362)	
Higher education	(2,320,000)	
Grants to tribal colleges	(1,000,000)	
State road projects	(228,600,000)	
County and township road projects	(142,000,000)	
Transfer to property tax relief sustainability fund - 2011-13 tax relief	(46,790,000)	
Transfer to property tax relief sustainability fund - 2013-15 tax relief	(341,790,000)	
Transfer to the general fund	<u>(232,000,000)</u>	
Total appropriations and transfers		<u>(995,974,362)</u>
Estimated ending balance - June 30, 2013		<u>\$232,398,254</u>

\1 Based on oil price and production assumptions:

	Average Price Per Barrel	Average Production (BOPD)
Fiscal year 2011	\$67.00	315,000-390,000
Fiscal year 2012	\$72.00	390,000-405,000
Fiscal year 2013	\$75.00	405,000-425,000

**BUDGET STABILIZATION FUND
AS OF OCTOBER 31, 2010
BASED ON THE NOVEMBER 2010 EXECUTIVE REVENUE FORECAST**

Beginning balance - July 1, 2009	\$324,936,548
Revenue - Transfer from general fund	<u>4,620,406</u>
Estimated ending balance - June 30, 2011	\$329,556,954
Estimated ending balance - June 30, 2013	<u>\$329,556,954</u>

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2009-11 Biennium
October 2010

Revenues and Transfers	Fiscal Month			Biennium To Date		
	May 2009 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	May 2009 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax	46,928,000	56,266,473	9,338,473	751,381,000	778,726,604	27,345,604
Motor Vehicle Excise Tax	4,057,000	4,911,697	854,697	55,394,000	76,940,158	21,546,158
Individual Income Tax	39,889,000	32,123,725	(7,765,276)	429,344,000	404,283,133	(25,060,867)
Corporate Income Tax	12,605,000	7,295,736	(5,309,264)	132,769,000	111,056,405	(21,712,595)
Insurance Premium Tax	115,000	39,800	(75,200)	36,050,000	35,323,106	(726,894)
Financial Institutions Tax		(44,723)	(44,723)	4,750,000	3,032,790	(1,717,210)
Oil & Gas Production Tax*				39,309,315	32,718,333	(6,590,982)
Oil Extraction Tax*				31,690,685	38,281,667	6,590,982
Gaming Tax	810,856	551,019	(259,837)	11,127,462	10,447,979	(679,483)
Lottery				5,577,500	5,100,000	(477,500)
Cigarette & Tobacco Tax	1,958,000	1,999,901	41,901	31,076,000	30,817,239	(258,761)
Wholesale Liquor Tax	587,000	659,364	72,364	9,146,000	10,067,015	921,015
Coal Conversion Tax	1,948,000	1,563,137	(384,863)	28,139,000	25,627,442	(2,511,558)
Mineral Leasing Fees	2,000,000	829,381	(1,170,619)	15,200,000	10,072,233	(5,127,767)
Departmental Collections	2,148,052	2,127,646	(20,406)	39,349,489	43,917,354	4,567,865
Interest Income	865,951	670,417	(195,534)	15,715,380	25,822,176	10,106,796
Bank of North Dakota-Transfer						
State Mill & Elevator-Transfer				2,367,918	6,260,457	3,892,539
Oil tax trust fund-Transfer				295,000,000	295,000,000	0
Other Transfers	161,000	184,200	23,200	966,000	2,108,878	1,142,878
Total Revenues and Transfers	114,072,859	109,177,771	(4,895,088)	1,934,352,749	1,945,602,968	11,250,219

* Oil and gas production and extraction tax collections totaled \$43.2 million in October. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through October, oil tax collections totaling \$429.8 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

EXECUTIVE REVENUE FORECAST

OFFICE OF MANAGEMENT & BUDGET

	2009-11		2011-13		
	2009 Legislative Forecast	Revised Forecast	Change	Executive Forecast	Change from Revised Forecast
Tax Types					
Sales and Use Tax	\$1,109,974,800	\$1,193,004,326	\$83,029,526	\$1,388,405,000	\$195,400,674
Motor Vehicle Excise Tax	86,978,250	119,549,899	32,571,649	139,031,000	19,481,101
Individual Income Tax	655,508,000	608,717,335	(46,790,665)	610,048,000	1,330,665
Corporate Income Tax	239,110,000	179,074,592	(60,035,408)	192,205,000	13,130,408
Insurance Premium Tax	66,000,000	64,152,315	(1,847,685)	70,900,000	6,747,685
Financial Inst. Tax	9,500,000	6,330,665	(3,169,335)	8,500,000	2,169,335
Oil & Gas Production Tax	39,309,315	32,718,333	(6,590,982)	31,700,000	(1,018,333)
Oil Extraction Tax	31,690,685	38,281,667	6,590,982	39,300,000	1,018,333
Gaming	16,799,316	16,165,195	(634,121)	16,038,675	(126,520)
Lottery	11,155,000	11,155,000	0	11,000,000	(155,000)
Cigarette and Tobacco Tax	45,428,000	44,881,315	(546,685)	43,902,000	(979,315)
Wholesale Liquor Tax	13,644,000	14,700,872	1,056,872	14,776,000	75,128
Coal Conversion Tax	45,005,000	42,687,869	(2,317,131)	40,038,000	(2,649,869)
Mineral Leasing Fees	22,715,000	18,033,904	(4,681,096)	20,000,000	1,966,096
Departmental Collections	60,961,920	63,991,948	3,030,028	64,000,000	8,052
Interest	27,000,000	42,200,448	15,200,448	42,700,000	499,552
Total Revenues before transfers	\$2,480,779,286	\$2,495,645,684	\$14,866,398	\$2,732,543,675	\$236,897,991
Transfers					
BND profits - Transfer	\$1,000,000	\$1,000,000	\$0	\$60,000,000	\$59,000,000
State Mill profits - Transfer	4,735,836	9,585,457	4,849,621	6,650,000	(2,935,457)
Permanent Oil Tax Trust Fund	435,000,000	435,000,000	0	232,000,000	(203,000,000)
Property Tax Relief Sustainability Fund	0	0	0	0	0
Land & Minerals Trust Fund	35,000,000	35,000,000	0	239,000,000	204,000,000
Gas tax admin - Transfer	1,288,000	1,288,000	0	1,485,000	197,000
Misc.	0	1,119,678	1,119,678	0	(1,119,678)
Total transfers	\$477,023,836	\$482,993,135	\$5,969,299	\$539,135,000	\$56,141,865
Total revenues and transfers	\$2,957,803,122	\$2,978,638,819	\$20,835,697	\$3,271,678,675	\$293,039,856

Proposed Statutory Changes Affecting Revenues

Income Tax Relief

The executive budget assumes 2011-13 biennium individual income tax collections are reduced by \$50.0 million to reflect the impact of the Governor's proposed income tax relief measure. The Governor's proposal provides for a .21 percent rate reduction in each income tax bracket. Current individual income tax rates range from 1.84 percent to 4.86 percent of North Dakota taxable income. The Governor's proposal lowers rates to 1.63 percent in the lowest bracket and 4.65 percent in the highest bracket.

Oil and Gas Impact Grant Fund

North Dakota Century Code Section 57-51-15 provides that a portion of gross production taxes on oil and gas are deposited in the oil and gas impact grant fund, up to a maximum of \$8.0 million per biennium. The Governor's budget proposes increasing this limit to \$100.0 million per biennium to more adequately address the impact of oil and gas development on cities, counties, townships, and other political subdivisions in western North Dakota. It is estimated that \$35.0 million of the total will be designated for addressing impacts in the largest cities affected by oil and gas development.

Motor Vehicle Excise Tax

The 2009 Legislative Assembly authorized, for the 2009-11 biennium only, the allocation of 25.0 percent of motor vehicle excise tax collections to the highway fund rather than the general fund. The Governor's budget recommendation proposes that for the 2011-13 biennium, 25.0 percent of motor vehicle excise tax collections be allocated to the highway tax distribution fund rather than the general fund. Allocation of these revenues to the highway tax distribution fund rather than the highway fund allows cities, counties, townships, and transit programs to share in this revenue source.

SENATE BILL NO. 2006

Introduced by

Appropriations Committee

(At the request of the Governor)

A Bill for an Act to provide an appropriation for defraying the expenses of the office of the state tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to provide for a transfer; and to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state tax commissioner for the purpose of defraying the expenses of the state tax commissioner and paying the state reimbursement under the homestead tax credit and disabled veteran credit, for the biennium beginning July 1, 2011, and ending June 30, 2013, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$16,910,525	\$1,801,131	\$18,711,656
Operating expenses	8,079,814	(740,663)	7,339,151
Capital assets	58,000	(42,000)	16,000
Homestead tax credit	5,964,000	2,828,788	8,792,788
Disabled veteran credit	<u>3,000,000</u>	<u>1,243,920</u>	<u>4,243,920</u>
Total all funds	\$34,012,339	\$5,091,176	\$39,103,515
Less estimated income	<u>196,000</u>	<u>(186,000)</u>	<u>10,000</u>
Total general fund	\$33,816,339	\$5,277,176	\$39,093,515
Full-time equivalent positions	133.00	0.00	133.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-first legislative assembly for the 2009-11 biennium and the 2011-13 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Integrated tax system loan payment	\$10,230,247	
On-site support-GenTax	1,234,000	
Oil and gas integration to GenTax	1,500,000	
GenTax upgrade	<u>0</u>	<u>\$1,000,000</u>
Total all funds	\$12,964,247	\$1,000,000
Total special funds	<u>100,000</u>	<u>0</u>
Total general fund	\$12,864,247	\$1,000,000

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The tax commissioner shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. TRANSFER. There is transferred to the general fund in the state treasury, out of motor vehicle fuel tax revenue, collected pursuant to section 57-43.1-02, the sum of \$1,485,000 for the purpose of reimbursing the general fund for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the administration of these taxes.

SECTION 4. AMENDMENT. Section 57-01-04 of the North Dakota Century Code is amended and reenacted as follows:

57-01-04. Salary. The annual salary of the state tax commissioner is ~~ninety ninety-eight thousand six hundred seventy-eight~~ sixty-eight dollars through June 30, ~~2010~~ 2012, and ~~ninety five one hundred one thousand two hundred twelve~~ ten dollars thereafter.

N.D.C.C. 54-14-03.1

Fiscal Irregularities

August – October 2010

Pay Adjustment

October 2010

190 Retirement and Investment Office

Connie Flannagan

\$2,801.00

Bonnie Heit

\$1,716.00

Fay Kopp

\$3,527.00

Temporary workload adjustments for May-October due to the death of former Executive Director.

127 Tax Department

Jill Weigel

\$1,000.00

Temporary workload adjustment for July-August due to the absence of Operations Division Director.

NDCC 54-27-25
Tobacco Settlement Trust Fund - Fund 407

Date	Total Received	Community Health Trust Fund - 10%	Commons School Trust Fund - 45%	Water Development Trust Fund - 45%
12/14/99	9,036,985.38	903,698.54	4,066,643.42	4,066,643.42
1/3/00	7,871,639.19	787,163.91	3,542,237.64	3,542,237.64
4/18/00	12,875,523.14	1,287,552.32	5,793,985.41	5,793,985.41
4/19/00	169,475.62	16,947.56	76,264.03	76,264.03
5/4/00	984.72	98.48	443.12	443.12
9/13/00	363.38	36.34	163.52	163.52
1/2/01	8,011,307.29	801,130.73	3,605,088.28	3,605,088.28
1/17/01	1,505.95	150.59	677.68	677.68
4/17/01	14,690,317.34	1,469,031.74	6,610,642.80	6,610,642.80
4/27/01	221,405.57	22,140.55	99,632.51	99,632.51
6/15/01	21,277.38	2,127.74	9,574.82	9,574.82
11/19/01	181,556.56	18,155.66	81,700.45	81,700.45
1/2/02	7,115,019.43	711,501.95	3,201,758.74	3,201,758.74
1/14/02	2,071.14	207.12	932.01	932.01
4/16/02	18,872,853.92	1,887,285.40	8,492,784.26	8,492,784.26
4/23/02	609,210.48	60,921.04	274,144.72	274,144.72
1/2/03	5,869,683.32	586,968.34	2,641,357.49	2,641,357.49
1/16/03	1,960,169.68	196,016.96	882,076.36	882,076.36
4/16/03	18,051,398.80	1,805,139.88	8,123,129.46	8,123,129.46
4/23/03	668,581.37	66,858.13	300,861.62	300,861.62
7/1/03	305,817.91	30,581.79	137,618.06	137,618.06
10/3/03	230,963.18	23,096.32	103,933.43	103,933.43
4/15/04	21,899,894.49	2,189,989.45	9,854,952.52	9,854,952.52
4/21/04	852,398.02	85,239.80	383,579.11	383,579.11
8/30/04	255,371.41	25,537.15	114,917.13	114,917.13
4/19/05	22,261,451.85	2,226,145.19	10,017,653.33	10,017,653.33
4/20/05	809,930.77	80,993.07	364,468.85	364,468.85
10/6/05	262,051.11	26,205.11	117,923.00	117,923.00
4/17/06	19,898,716.49	1,989,871.65	8,954,422.42	8,954,422.42
4/19/06	1,253,301.83	125,330.19	563,985.82	563,985.82
12/22/06	196,418.35	19,641.83	88,388.26	88,388.26
4/17/07	20,664,718.59	2,066,471.85	9,299,123.37	9,299,123.37
4/19/07	1,379,744.44	137,974.44	620,885.00	620,885.00
6/5/07	173,167.26	17,316.72	77,925.27	77,925.27
4/16/08	34,965,293.50	3,496,529.34	15,734,382.08	15,734,382.08
4/17/08	1,515,783.61	151,578.37	682,102.62	682,102.62
7/7/08	91.50	9.14	41.18	41.18
2/26/09	1,978,845.20	197,884.52	890,480.34	890,480.34
4/20/09	23,035,384.29	2,303,538.43	10,365,922.93	10,365,922.93
4/15/10	19,759,434.19	1,975,943.41	8,891,745.39	8,891,745.39
4/19/10	1,057,430.92	105,743.10	475,843.90	475,843.91
Totals	278,987,538.57	27,898,753.85	125,544,392.35	125,544,392.36

NDCC 54-27-25
Tobacco Prevention and Control Trust Fund - Fund 369

Date	Total Received
4/20/2009	14,138,010.91
4/15/2010	11,817,519.68
4/19/2010	456,873.60
Totals	<u>26,412,404.19</u>