

## ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2005-07 AND 2007-09 BIENNIUMS

	2005-07 Biennium		2007-09 Biennium	
Beginning balance		\$99,472,631		\$200,000,000
Add estimated revenues				
Transfer from June 30, 2007, general fund balance	\$100,527,369 <sup>1</sup>			
Investment income	0 <sup>2</sup>			
Total estimated revenues		100,527,369		
Total available		\$200,000,000		\$200,000,000
Less estimated expenditures and transfers				
None				
Total estimated expenditures and transfers		0		0
Estimated ending balance		<u>\$200,000,000</u>		<u>\$200,000,000</u>

<sup>1</sup>The Legislative Assembly approved House Bill No. 1429 which provides, in lieu of other transfers, that \$100,527,369 be transferred from the ending 2005-07 biennium general fund balance and that effective July 1, 2009, the maximum balance allowed in the fund be increased from **5 to 10 percent** of the general fund budget.

The executive budget recommended increasing the maximum balance in the budget stabilization fund from 5 percent of the general fund appropriations provided by the most recently adjourned Legislative Assembly to \$200 million (Sections 14 and 15 of 2007 Senate Bill No. 2015, as introduced) effective with the close of the 2005-07 biennium. This bill was defeated.

<sup>2</sup>Interest earned on the fund is deposited in the general fund because the balance in the fund is at the maximum allowed under North Dakota Century Code Section 54-27.2-01.

### FUND HISTORY

The budget stabilization fund was established by the 1987 Legislative Assembly in House Bill No. 1596. Major provisions include:

- Section 54-27.2-01 establishes the budget stabilization fund and provides that any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section currently provides that any money in the fund in **excess of 5 percent of the general fund budget** as approved by the most recently adjourned Legislative Assembly must be deposited in the state general fund.
- Section 54-27.2-02 provides that any amount in the state general fund at the end of a biennium in excess of \$65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides that the Governor may order a transfer from the budget stabilization fund to the general fund if the director of the Office of Management and Budget projects that general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.