

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

| | 2007-09 Biennium Actual | | 2009-11 Biennium Estimated | |
|------------------------------------|----------------------------|--------------|-------------------------------|---------------|
| Beginning balance | | \$29,009,838 | | \$65,750,547 |
| Add revenues | | | | |
| Oil extraction tax allocations | \$36,740,709 | | \$37,822,973 ¹ | |
| Total available | | 36,740,709 | | 37,822,973 |
| Less expenditures and transfers | | | | |
| Transfer to foundation aid program | \$0 ² | | \$0 ² | |
| Ending balance | | \$65,750,547 | | \$103,573,520 |

¹Estimated revenues - Based on actual oil extraction tax collections transferred to the fund through March 2010 and estimated allocations for the remainder of the 2009-11 biennium per the February 2009 revenue forecast.

²Estimated expenditures - As provided in Section 24, Article X, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. There were no foundation aid reductions as a result of a revenue shortfall in the 2007-09 biennium and no foundation aid reductions are currently anticipated for the 2009-11 biennium.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$88,236,477. The increase in the estimated balance of \$15,337,043 is due to the increased oil activity resulting in the actual July 1, 2009, balance of \$65,750,547 being \$2,406,241 more than the July 1, 2009, balance estimated at the close of the 2009 legislative session of \$63,344,306 and the 2009-11 estimated revenues of \$37,822,973 being \$12,930,802 more than originally projected revenues of \$24,892,171.

FUND HISTORY

The foundation aid stabilization fund was created in 1994 when the voters of North Dakota approved a constitutional amendment, now Section 24, Article X, of the Constitution of North Dakota, to provide that 20 percent of oil extraction tax revenue be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- **Fifty percent (of the 20 percent) to the foundation aid stabilization fund.**

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that the director of the budget may order an allotment to control the rate of expenditures of state agencies. This section provides that an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Section 24, Article X, of the Constitution of North Dakota, provides that the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. Interest from the foundation aid stabilization fund allocated to the general fund during the 2007-09 biennium totaled \$1,238,870. For the period July 1, 2009, through April 30, 2010, \$208,938 of interest from the foundation aid stabilization fund has been allocated to the general fund.