BUDGET OUTLOOK - 2017-19 AND 2019-21 BIENNIUMS

The schedule below is an outlook at the 2017-19 biennium and 2019-21 biennium general fund budgets. The outlook is based upon estimated 2017-19 biennium revenue and appropriation levels. The estimated amounts are based on the 2017-19 biennium legislative revenue forecast. The schedule also identifies estimated costs to continue various programs at current levels based upon actions by the 2017 Legislative Assembly and other factors.

	General Fund	
	2017-19 Biennium Estimate	**2019-21 Biennium Estimate**
Estimated beginning balance	$65,000,000	$65,000,000
Revenues		
Base level ongoing revenues[1]	3,490,900,000	3,390,900,000
Adjustments to ongoing revenues		
Biennium-to-date surplus (deficit) through July 2018	87,000,000	N/A
Increase (decrease) for September 2018 executive branch revenue forecast	49,500,000	292,870,000
Major ongoing transfers		
Legacy fund earnings	200,000,000	225,000,000
Mill and Elevator Association (including 75 percent of profits for the 2017-19 biennium and 50 percent for the 2019-21 biennium)	19,800,000	12,300,000
Lottery	14,800,000	15,000,000
Gas tax administration	2,000,000	2,000,000
Bank of North Dakota	100,000,000	100,000,000
Other transfers and one-time revenues		
Bank of North Dakota	40,000,000	0
Tax relief fund	183,000,000	0[2]
Strategic investment and improvements fund	248,000,000	0
Other transfers and one-time items, including the repayment of $25 million to the general fund for the Western Area Water Supply loan	32,600,000	0
Total resources available	$4,532,600,000	$4,103,070,000
Appropriations		
Ongoing general fund appropriations	(4,269,600,000)	(4,269,600,000)
One-time general fund appropriations	(40,600,000)	
Potential funds available	$222,400,000	($166,530,000)
Less 2019-21 biennium general fund requirements due to 2017 legislative action or federal program changes:		
• Cost to continue state school aid at the 2017-19 biennium integrated payment rate to an estimated 11,776 additional students during the 2019-21 biennium (after adjustment for estimated 2017-19 biennium unexpended appropriation authority)		(116,600,000)
• Cost to continue special education contract grants		(5,700,000)
• Replace one-time funding from the state tuition fund used in the 2017-19 biennium		(4,300,000)
• Increase in local share of state school aid during the 2019-21 biennium, assuming a 3 percent increase in property valuations		50,400,000
• Additional funding for state school aid payments from common schools trust fund distributions		78,100,000
• Replace one-time funding from the foundation aid stabilization fund used for state school aid payments in the 2017-19 biennium		(185,000,000)
• Funding for the North Dakota University System for the higher education funding formula, reflecting an increase in completed credits		(4,400,000)
• Replace a portion of one-time funding from the student loan trust fund used for University of North Dakota School of Medicine and Health Sciences residency positions in the 2017-19 biennium (Remaining funding for the positions is being replaced through the higher education funding formula completed credits increase)		(5,700,000)
• Increased costs for the Department of Human Services (DHS) related to changes to the federal cost-share of Medicaid Expansion costs		(12,800,000)
• Replace funding from the tobacco prevention and control trust fund used for DHS and the State Department of Health in the 2017-19 biennium		(43,500,000)
• Replace one-time funding from tobacco settlement funding deposited in the community health trust fund and used for DHS in the 2017-19 biennium		(18,000,000)

Total cost-to-continue items	$0	($267,500,000)
Less anticipated deficiency appropriations:		
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to the Dakota Access Pipeline protest response (adjusted to reflect $10 million from the federal government and $15 million from Energy Transfer Partners)	(12,800,000)	
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to the Department of Agriculture's emergency hay transportation program	(1,500,000)	
• Bank of North Dakota loan repayment - Adjutant General borrowing relating to Spring 2017 flooding	(1,200,000)	
• Historical Society court judgement relating to Heritage Center expansion project	(690,000)	
Other potential selected general fund spending increases the 2019 Legislative Assembly may be asked to consider:		
• State employee health insurance increases based on the preliminary estimate of the monthly premium increasing from $1,240.82 to $1,445.56 (16.5 percent)		(36,500,000)
Estimated unspent appropriation authority (turnback)	11,600,000	
Transfer to budget stabilization fund[3]	(152,810,000)	
Estimated general fund balance (shortfall)	$65,000,000	($470,530,000)

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, utilization, and inflationary increases for DHS programs
   d. Higher education inflationary increases
   e. Department of Corrections and Rehabilitation increased costs associated with inmate increases
   f. State building, road, and other infrastructure projects
   g. Special transportation and infrastructure distributions to political subdivisions
   h. Continuing the county social services financing pilot project
   i. Other agency budget requests, Governor's recommendations, and legislative initiatives
2. Additional sources of funding that could be available, including:
   a. Strategic investment and improvements fund balance (based on actual oil and gas tax allocations through August 2018 and 1.2 million barrels per day at $57 per barrel continuing for the remainder of the 2017-19 biennium) - Estimated $811.1 million
   b. Bank of North Dakota profits in excess of the identified ongoing transfer amount
   c. Legacy fund earnings in excess of the $200 million and $225 million deposited in the general fund at the end of the 2017-19 and 2019-21 bienniums respectively
   d. Legacy fund principal (up to 15 percent upon approval by two-thirds of the Legislative Assembly)
   e. Foundation aid stabilization fund uncommitted balance (based on actual oil and gas tax allocations through August 2018 and 1.2 million barrels per day at $57 per barrel continuing for the remainder of the 2017-19 biennium) - Estimated $148.6 million - $110 million of this amount is needed for continuing the ongoing funding used from this fund during the 2017-19 biennium for state school aid.
   f. Community health trust fund (additional tobacco settlement proceeds that were withheld by certain tobacco companies) - Estimated $18.7 million
   g. Tax relief fund balance of $182.3 million

[1]Base level ongoing revenues for the 2019-21 biennium reflect the 2017 legislative revenue forecast, with oil and gas tax allocations limited to $400 million in the 2017-19 biennium and $300 million in the 2019-21 biennium.

[2]The tax relief fund balance is projected to total $182.3 million on July 1, 2019. These funds would be available for continuing the county social services financing pilot project or for other purposes.

[3]After the $152.8 million estimated transfer, the balance in the budget stabilization fund is anticipated to total $266.8 million on July 1, 2019.