



North Dakota Legislative Council

Prepared for Senators Wardner and Holmberg and
Representatives Pollert and Delzer
LC# 21.9593.01000
January 2021

BUDGET STATUS - MOTION FOR BASE-LEVEL REVENUES

GENERAL FUND REVENUE FORECASTS

The schedules below provide information on the 2019-21 biennium revised general fund revenue forecast and the 2021-23 biennium general fund revenue forecast based on the December 2020 executive revenue forecast, January 2021 estimates prepared by IHS Markit, and a proposed forecast.

2019-21 Biennium Revised Forecast				
	December 2020 Executive Forecast	January 2021 IHS Baseline Forecast ¹	Proposed Forecast ²	Increase (Decrease) to December 2020 Executive Forecast
Tax and fee revenues				
Sales and use tax	\$1,756,066,564	\$1,838,773,846	\$1,797,420,205	\$41,353,641
Motor vehicle excise tax	231,847,814	244,393,106	238,120,460	6,272,646
Individual income tax	741,900,603	786,357,241	764,128,922	22,228,319
Corporate income tax	179,481,033	196,921,068	188,201,051	8,720,018
Oil and gas tax collections	400,000,000	400,000,000	400,000,000	0
Coal conversion tax	42,398,724	42,398,724	42,398,724	0
Cigarette and tobacco tax	49,032,505	49,032,505	49,032,505	0
Wholesale liquor tax	17,972,734	17,972,734	17,972,734	0
Gaming tax	31,304,238	31,304,238	31,304,238	0
Insurance premium tax	94,520,219	94,520,219	94,520,219	0
Departmental collections	79,914,882	79,914,882	79,914,882	0
Interest income	30,272,315	22,903,179	22,903,179	(7,369,136)
Mineral leasing fees	30,168,017	30,168,017	30,168,017	0
Total tax and fee revenues	\$3,684,879,648	\$3,834,659,759	\$3,756,085,136	\$71,205,488
Transfers and other sources				
Bank of North Dakota profits	\$140,000,000	\$140,000,000	\$140,000,000	\$0
Mill and Elevator Association profits	10,923,841	10,923,841	10,923,841	0
Lottery	10,222,500	10,222,500	10,222,500	0
Gas tax administration	1,991,418	1,991,418	1,991,418	0
Budget stabilization fund (interest)	0	7,369,136	7,369,136	7,369,136
Legacy fund earnings	335,630,000	500,000,000	500,000,000	164,370,000
Strategic investment and improvements fund	764,400,000	764,400,000	764,400,000	0
Tax relief fund	8,600,000	8,600,000	8,600,000	0
Research North Dakota fund	581,000	581,000	581,000	0
Other miscellaneous transfers	3,351,923	3,351,923	3,351,923	0
Total transfers and other sources	\$1,275,700,682	\$1,447,439,818	\$1,447,439,818	\$171,739,136
Total general fund revenues	\$4,960,580,330	\$5,282,099,577	\$5,203,524,954	\$242,944,624

NOTE: The shaded rows reflect the four major tax types for general fund revenue, which are based on economic forecasting data provided by consultants (Moody's Analytics and IHS Markit).

¹Excluding the shaded amounts and adjustments for interest income and legacy fund earnings, all other amounts shown under the January 2021 IHS baseline forecast reflect the amounts included in the December 2020 executive forecast.

²The shaded amounts shown under the proposed forecast reflect the average of the December 2020 executive forecast and the January 2021 IHS baseline forecast. The amount shown for interest income does not include the interest transferred from the budget stabilization fund. This amount is shown separately under transfers. The amount shown for the legacy fund reflects the estimated earnings before any transfers or appropriations. All other amounts shown under the proposed forecast reflect the amounts included in the December 2020 executive forecast.

2021-23 Biennium Forecast				
	December 2020 Adjusted Executive Forecast ¹	January 2021 IHS Baseline Forecast ²	Proposed Forecast ³	Increase (Decrease) to December 2020 Adjusted Executive Forecast
Tax and fee revenues				
Sales and use tax	\$1,659,855,000	\$1,897,250,392	\$1,736,000,000	\$76,145,000
Motor vehicle excise tax	239,317,000	259,564,643	249,000,000	9,683,000
Individual income tax	786,857,000	816,535,809	802,000,000	15,143,000
Corporate income tax	188,519,000	187,707,324	188,000,000	(519,000)
Oil and gas tax collections	400,000,000	400,000,000	400,000,000	0
Coal conversion tax	42,600,000	42,600,000	42,600,000	0
Cigarette and tobacco tax	43,846,000	43,846,000	43,846,000	0
Wholesale liquor tax	16,932,000	16,932,000	16,932,000	0
Gaming tax	41,000,000	41,000,000	41,000,000	0
Insurance premium tax	121,024,481	121,024,481	121,024,481	0
Departmental collections	76,423,632	76,423,632	76,423,632	0
Interest income	20,000,000	20,000,000	20,000,000	0
Mineral leasing fees	25,000,000	25,000,000	25,000,000	0
Total tax and fee revenues	\$3,661,374,113	\$3,947,884,281	\$3,761,826,113	\$100,452,000
Transfers and other sources				
Bank of North Dakota profits	\$140,000,000	\$140,000,000	\$140,000,000	\$0
Mill and Elevator Association profits	15,500,000	15,500,000	15,500,000	0
Lottery	14,600,000	14,600,000	14,600,000	0
Gas tax administration	1,873,744	1,873,744	1,873,744	0
Budget stabilization fund (interest)	14,000,000	14,000,000	14,000,000	0
Legacy fund earnings	0	0	0	0
Total transfers and other sources	\$185,973,744	\$185,973,744	\$185,973,744	\$0
Total general fund revenues	\$3,847,347,857	\$4,133,858,025	\$3,947,799,857	\$100,452,000

NOTE: The shaded rows reflect the four major tax types for general fund revenue, which are based on economic forecasting data provided by consultants (Moody's Analytics and IHS Markit).

¹The amounts shown under the December 2020 adjusted executive forecast were adjusted to exclude recommendations in the executive budget for a \$100 million increase in the allocation of oil and gas tax revenues to the general fund; for an insurance premium tax credit of \$33.75 million for the continuation of a reinsurance program; and for transfers from the strategic investment and improvements fund (\$400 million), tax relief fund (\$23 million), and budget stabilization fund (\$244.5 million). The amount shown for interest income does not include interest transferred from the budget stabilization fund, which is shown separately.

²Excluding the shaded amounts, all other amounts shown under the January 2021 IHS baseline forecast reflect the amounts included in the December 2020 adjusted executive forecast.

³The shaded amounts shown under the proposed forecast reflect the average of the December 2020 adjusted executive forecast and the IHS baseline January forecast with an additional reduction of \$43 million for sales and use tax. All other amounts shown under the alternate proposed forecast reflect the amounts included in the December 2020 executive forecast.

GENERAL FUND BEGINNING BALANCE

The schedule below provides information on the estimated July 1, 2021, general fund balance based on the December 2020 executive forecast and a proposed forecast.

	December 2020 Executive Forecast	Proposed Forecast
Estimated beginning balance before adjustments	\$191,279,596	\$191,279,596
2019-21 biennium proposed forecast adjustment	0	242,944,624
Transfer to common schools trust fund - Senate Bill No. 2362 (2019)	0	(64,370,000)
Estimated unspent 2019-21 biennium appropriation authority	190,638,865	190,638,865
Exemptions for unspent 2019-21 biennium appropriation authority	(9,156,432)	0
Deficiency appropriations	(60,807,488)	0
Estimated transfer to budget stabilization fund ¹	0	0
Budget status estimated beginning balance	\$311,954,541	\$560,493,085

¹The estimated July 1, 2021, balance of the budget stabilization fund is \$726.5 million, the same as the statutory limit of 15 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. As a result, a transfer from the general fund will not occur.

OIL PRICE AND PRODUCTION FORECASTS

The schedules below provide information on the oil price and oil production forecasts for the remainder of the 2019-21 biennium and for the 2021-23 biennium based on the December 2020 executive revenue forecast, January 2021 estimates prepared by IHS Markit, and a proposed forecast. Estimated oil and gas tax revenue allocations are attached as an appendix.

2019-21 Biennium			
	December 2020 Executive Forecast	January 2021 IHS Baseline Forecast	Proposed Forecast
Average oil price	Remaining at \$32 per barrel (North Dakota price)	Increasing from \$41 to \$42 per barrel (West Texas Intermediate)	Remaining at \$40 per barrel (North Dakota price)
Average daily oil production	Remaining at 1.2 million barrels	Increasing from 1.21 to 1.23 million barrels	Decreasing from 1.2 to 1.1 million barrels
NOTE: The amounts shown for the average oil price and production reflect the forecasts for the remainder of the biennium.			

2021-23 Biennium			
	December 2020 Executive Forecast	January 2021 IHS Baseline Forecast	Proposed Forecast
Average oil price	Increasing from \$34.50 to \$36 per barrel (North Dakota price)	Increasing from \$42 to \$52 per barrel (West Texas Intermediate)	Remaining at \$40 per barrel (North Dakota price)
Average daily oil production	Increasing from 1.1 to 1.2 million barrels	Decreasing from 1.23 to 1.16 million barrels	Decreasing from 1.1 to 1 million barrels

APPROPRIATIONS COMMITTEES MOTION

The following is a motion for consideration by the Appropriations Committees related to the 2021-23 biennium estimated base-level revenues:

It was moved by _____ and seconded by _____ that the House (Senate) Appropriations Committees of the 67th Legislative Assembly adopt, for Legislative Council budget status reporting purposes, the following estimated base-level revenues (as shown for the proposed forecasts in the schedules above):

- **Estimated July 1, 2021, general fund balance - \$560,493,085.**
- **2021-23 biennium estimated total general fund revenues - \$3,947,799,857.**
- **Estimated oil price and daily oil production for the remainder of the 2019-21 biennium - Oil prices remaining at \$40 per barrel and oil production decreasing from 1.2 to 1.1 million barrels per day.**
- **Estimated oil price and daily oil production for the 2019-21 biennium - Oil prices remaining at \$40 per barrel and oil production decreasing from 1.1 to 1 million barrels per day.**

ATTACH:1

ESTIMATED OIL AND GAS TAX REVENUE ALLOCATIONS

The schedule below provides information on the estimated oil and gas tax revenue collections and allocations for the 2019-21 and 2021-23 bienniums based on the proposed forecast for oil price and production. The allocations are based on the formulas in current law.

Estimated Oil and Gas Tax Revenue Collections and Allocations			
	2019-21 Biennium	2021-23 Biennium	Increase (Decrease)
Collections			
Gross production tax	\$1,839,220,000	\$1,502,340,000	(\$336,880,000)
Oil extraction tax	1,662,250,000	1,471,680,000	(190,570,000)
Total oil tax collections	\$3,501,470,000	\$2,974,020,000	(\$527,450,000)
Allocations			
Three Affiliated Tribes	\$401,480,000	\$372,920,000	(\$28,560,000)
Legacy fund	930,000,000	780,330,000	(149,670,000)
North Dakota outdoor heritage fund	15,000,000	17,940,000	2,940,000
Abandoned well reclamation fund	10,880,000	9,370,000	(1,510,000)
Political subdivisions	517,980,000	433,960,000	(84,020,000)
Common schools trust fund	146,180,000	127,510,000	(18,670,000)
Foundation aid stabilization fund	146,180,000	127,510,000	(18,670,000)
Resources trust fund	299,660,000	261,400,000	(38,260,000)
Oil and gas research fund	16,000,000	10,000,000	(6,000,000)
State energy research center fund	5,000,000	5,000,000	0
State share ("buckets") ¹	1,013,110,000	828,080,000	(185,030,000)
Total oil and gas tax allocations	\$3,501,470,000	\$2,974,020,000	(\$527,450,000)
¹ The allocations under the state share ("buckets") include:			
	2019-21 Biennium	2021-23 Biennium	Increase (Decrease)
General fund (\$200 million limit)	\$200,000,000	\$200,000,000	\$0
Tax relief fund (\$200 million limit)	200,000,000	200,000,000	0
Budget stabilization fund (limit varies - up to \$75 million)	48,430,000	0	(48,430,000)
General fund (\$200 million limit)	200,000,000	200,000,000	0
Lignite research fund (\$10 million limit)	10,000,000	10,000,000	0
State disaster relief fund (limit varies - up to \$15 million)	0	0	0
Municipal infrastructure fund (\$29.88 million limit)	29,880,000	29,880,000	0
Strategic investment and improvements fund (\$400 million limit)	324,800,000	188,200,000	(136,600,000)
County and township infrastructure fund (\$29.88 million limit)	0	0	0
Municipal infrastructure fund (\$85.12 million limit)	0	0	0
County and township infrastructure fund (\$85.12 million limit)	0	0	0
Airport infrastructure fund (\$20 million limit)	0	0	0
Strategic investment and improvements fund (no limit)	0	0	0
Total state share	\$1,013,110,000	\$828,080,000	(\$185,030,000)