

2015-17 BIENNIUM GENERAL FUND REVENUES AND TRANSFERS

Major changes included in the August 2016 revised legislative estimate for 2015-17 biennium general fund revenues and transfers are listed below. See the **Revenue Summary** section for more detailed information regarding 2015-17 biennium estimated general fund revenues and transfers.

- Ongoing general fund revenues decreased by \$1,382,999,512, from \$4,981,508,192 based on the May 2015 legislative estimate to \$3,598,508,680 based on the July 2016 revised revenue forecast.
- The August 2016 legislative estimate includes a transfer of \$572,485,453 from the budget stabilization fund to the general fund.
- The August 2016 legislative estimate includes a contingent transfer of \$100,000,000 from Bank of North Dakota profits to the general fund.
- Unspent general fund appropriation authority for the 2015-17 biennium is anticipated to total \$19,246,000.

2015-17 BIENNIUM OIL AND GAS TAX REVENUE FORECAST

The August 2016 revised legislative estimate reflects 2015-17 biennium estimated oil and gas tax revenue collections decreasing by \$530,390,000, from \$3,433,730,000 based on the May 2015 legislative estimate to \$2,903,340,000 based on the July 2016 revised revenue forecast. See the **Revenue Summary** section for more detailed information regarding 2015-17 biennium estimated oil and gas tax revenue collections and allocations.

2015-17 GENERAL FUND APPROPRIATIONS

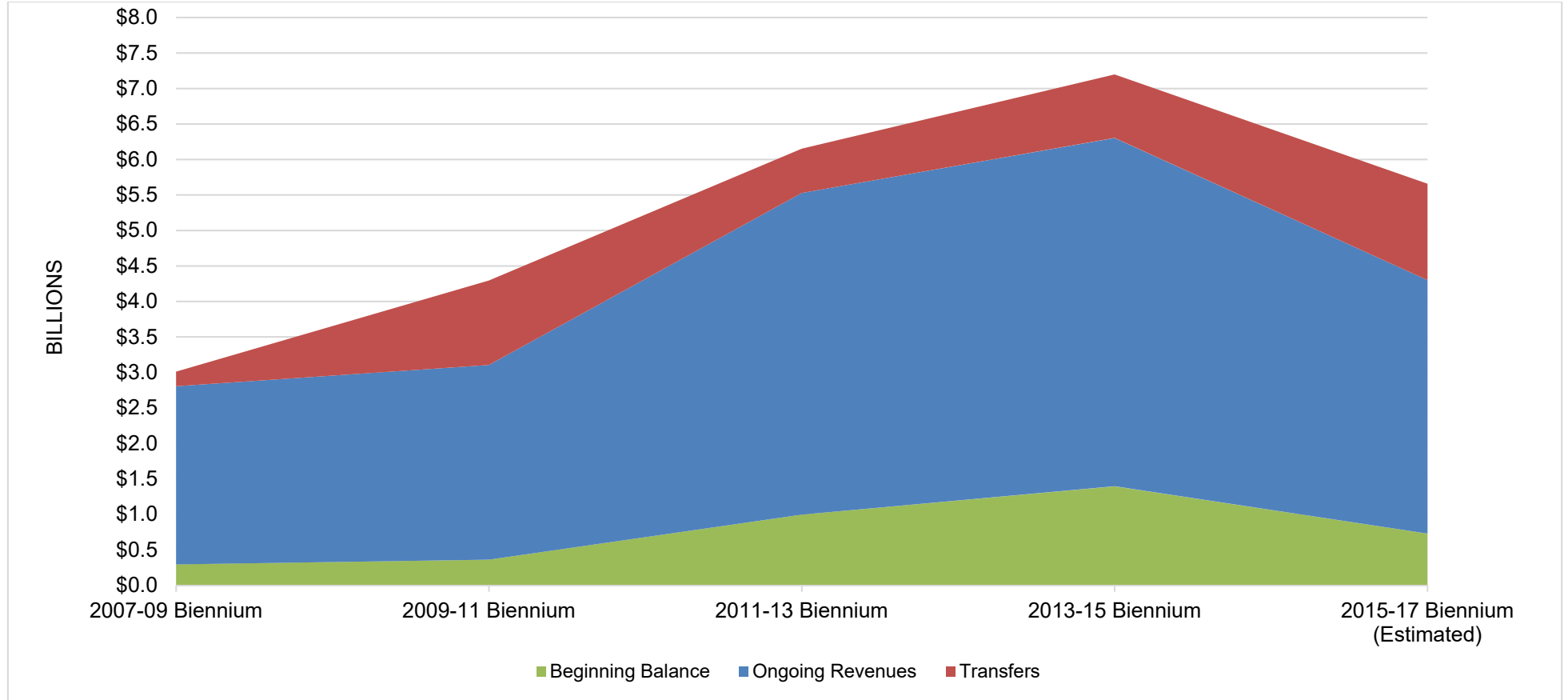
- Provides for adjusted general fund appropriations of \$5,686,674,901.
- All 2015-17 original legislative-approved general fund appropriations were reduced by 6.55 percent except:
 - Department of Human Services - (\$54.0 million) or 4.05 percent.
 - Department of Corrections and Rehabilitation - (\$10.9 million) or 5.05 percent.
- Major general fund appropriation adjustments compared to 2013-15 total general fund appropriations, include:
 - Department of Transportation - (\$850.6 million).
 - Office of Management and Budget - (\$319.5 million). The 2013-15 biennium amount for the Office of Management and Budget included a \$315.2 million transfer from the general fund to the property tax relief fund.
 - North Dakota University System - (\$72.8 million).
 - Department of Public Instruction - (\$26.9 million).
 - Department of Human Services - \$107.1 million.
- Major general fund appropriation adjustments compared to 2015-17 original legislative-approved general fund appropriations, include:
 - Department of Public Instruction - (\$119.3 million). Of this amount, \$116.1 million was restored by transfers from the foundation aid stabilization fund to the Department of Public Instruction to offset general fund allotments attributable to the \$1.8 billion appropriated from the general fund for state school aid, transportation aid, and special education aid.
 - North Dakota University System - (\$58.7 million).
 - Department of Human Services - (\$54.0 million).
 - Department of Transportation - (\$43.0 million).

REVENUE SUMMARY

TOTAL GENERAL FUND REVENUES

Based on the August 2016 revised legislative estimate, total 2015-17 biennium general fund revenues, including the estimated beginning balance, ongoing revenues, and transfers are estimated to be \$5,657,599,428, which is \$579,572,842, or 9.3 percent, less than the May 2015 legislative estimate of \$6,237,172,270. Based on the August 2016 revised legislative estimate, total 2015-17 biennium total general fund revenues are \$1,540,257,264, or 21.4 percent, less than total 2013-15 biennium revenues of \$7,197,856,692.

The following is a summary of revenues for the 2007-09 through 2015-17 bienniums:



	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium (Estimated)
Beginning balance	\$295,541,176	\$361,843,514	\$996,832,711	\$1,396,059,186	\$729,529,389
Ongoing revenues	2,509,657,137	2,742,612,281	4,530,367,522	4,906,838,448	3,570,433,290
Transfers	205,606,243	1,190,082,508	625,487,038	894,959,058	1,357,636,749
Total	\$3,010,804,556	\$4,294,538,303	\$6,152,687,271	\$7,197,856,692	\$5,657,599,428

GENERAL FUND BEGINNING BALANCE

The August 2016 revised legislative estimate for the 2015-17 biennium reflects **the actual July 1, 2015, beginning balance of \$729,529,389**, which is \$130,865,311 more than the May 2015 legislative estimate of \$598,664,078. The actual July 1, 2015, beginning balance recognizes 2015-17 biennium general fund appropriation authority of \$9,858,196 spent during the 2013-15 biennium pursuant to emergency clauses.

ONGOING GENERAL FUND REVENUE

The August 2016 revised legislative estimate for the 2015-17 biennium reflects **estimated ongoing general fund revenue of \$3,598,508,680**, which is \$1,382,999,512, or 27.8 percent, less than the May 2015 legislative estimate of \$4,981,508,192. Ongoing general fund revenue amounts include transfers from the Mill and Elevator Association, the gas tax administration, and the lottery (See the "Transfers to General Fund" section).

Based on the August 2016 revised legislative estimate, the estimated 2015-17 biennium ongoing general fund revenue of \$3,598,508,680 reflects a decrease of \$1,330,224,328, or 27.0 percent, compared to the 2013-15 biennium actual ongoing revenue of \$4,928,733,008.

Major areas of 2015-17 biennium **revenue decreases** based on the August 2016 revised legislative estimate compared to the May 2015 legislative estimate include:

- Sales and use tax collections are estimated to decrease by \$1 billion, or 35.0 percent.
- Motor vehicle excise tax collections are estimated to decrease by \$113 million, or 35.9 percent.
- Individual income tax collections are estimated to decrease by \$73 million, or 9.5 percent.
- Corporate income tax collections are estimated to decrease by \$213 million, or 57.3 percent.

TRANSFERS TO THE GENERAL FUND

The August 2016 revised legislative estimate for the 2015-17 biennium reflects total transfers of \$1,357,636,749. Changes in estimated transfers compared to the May 2015 legislative estimate include a decrease of \$4,940,106 from the Mill and Elevator Association and an increase of \$1,950,000 from the lottery. In Senate Bill No. 2379, the Legislative Assembly provided for a transfer of **\$572,485,453 from the budget stabilization fund** to the general fund and a contingent transfer of up to **\$100,000,000 from Bank of North Dakota profits** to the general fund.

ESTIMATED UNSPENT GENERAL FUND APPROPRIATION AUTHORITY

The August 2016 revised legislative estimate includes **estimated unspent general fund appropriation authority (turnback) of \$19,246,000** for the 2015-17 biennium. The estimated unspent general fund appropriation authority includes \$17,300,000 from the Department of Public Instruction, \$1,546,000 from the Office of Management and Budget, and \$400,000 from the Adjutant General.

OIL AND GAS TAX REVENUE

The August 2016 revised legislative estimate reflects oil prices increasing from \$38 to \$42 per barrel and average daily oil production decreasing to 900,000 barrels per day for the remainder of the 2015-17 biennium. The August 2016 revised legislative estimate includes actual oil and gas tax revenue collections and allocations through July 2016. Actual oil prices, oil production, and other factors throughout the 2015-17 biennium could increase or decrease actual oil tax revenue collections. Based on the August 2016 revised legislative estimate, the **2015-17 biennium estimated oil and gas tax revenue collections total \$2,903,340,000**, which reflects a decrease of \$530,390,000 compared to the May 2015 legislative estimate of \$3,433,730,000.

The flowchart in the "Allocation of Oil Extraction and Oil and Gas Gross Production Taxes for the 2015-17 Biennium" section provides more detailed information on the allocation of oil and gas tax revenue.

**GENERAL FUND REVENUE ESTIMATES FOR THE 2015-17 BIENNIUM
AND ACTUAL COLLECTIONS FOR PRIOR BIENNIUMS**

	Actual			Estimated	2015-17 Biennium Increase (Decrease) Compared to the 2013-15 Biennium	
	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium ¹	Amount	Percentage
Beginning balance	\$361,843,514	\$996,832,711	\$1,396,059,186	\$729,529,389	(\$666,529,797)	(47.7%)
Revenue source						
Sales and use tax	\$1,267,211,331	\$2,196,977,793	\$2,478,246,782	\$1,863,517,574	(\$614,729,208)	(24.8%)
Motor vehicle excise tax	124,425,401	252,725,403	277,152,752	201,543,785	(75,608,967)	(27.3%)
Individual income tax	729,255,895 ²	1,046,161,236 ³	1,050,062,577 ³	690,525,749 ³	(359,536,828)	(34.2%)
Corporate income tax	234,364,296 ⁴	385,814,247 ⁴	435,243,053 ⁴	158,713,800 ⁴	(276,529,253)	(63.5%)
Insurance premium tax	63,150,948	82,857,729	92,526,176	104,935,597	12,409,421	13.4%
Business privilege tax	6,748,753	11,236,510	(4,985,620) ⁵	324,145 ⁵	5,309,765	(106.5%)
Cigarette and tobacco tax	46,253,470	53,723,649	60,262,694	57,082,715	(3,179,979)	(5.3%)
Oil and gas production tax	32,718,333 ⁶	133,834,000 ⁷	146,071,108 ⁷	102,881,583 ⁷	(43,189,525)	(29.6%)
Oil extraction tax	38,281,667 ⁶	166,166,000 ⁷	153,928,892 ⁷	197,118,417 ⁷	43,189,525	28.1%
Coal conversion tax	39,064,299	38,399,414	40,767,148	42,725,976	1,958,828	4.8%
Gaming tax	16,189,991	11,136,421	7,195,937	6,975,584	(220,353)	(3.1%)
Wholesale liquor tax	15,163,855	17,617,501	18,704,869	18,114,988	(589,881)	(3.2%)
Mineral leasing fees	17,521,635	43,052,074	41,348,389	23,635,424	(17,712,965)	(42.8%)
Interest income	43,684,825	13,671,280	27,042,938	23,889,121	(3,153,817)	(11.7%)
Departmental collections	68,577,582	76,994,265	83,270,753	78,448,832	(4,821,921)	(5.8%)
Total revenues	\$2,742,612,281	\$4,530,367,522	\$4,906,838,448	\$3,570,433,290	(\$1,336,405,158)	(27.2%)
Transfers and other sources						
Contingent Transfer - Bank of North Dakota	\$0	\$0	\$0	\$100,000,000 ⁸	\$100,000,000	N/A
Transfer - Mill and Elevator Association	13,902,268 ⁹	9,448,922 ⁹	6,817,200 ⁹	8,834,894 ⁹	2,017,694	29.6%
Transfer - Lottery	10,400,000	14,300,000	13,300,000	17,210,000	3,910,000	29.4%
Transfer - Gas tax administration	1,288,000	1,485,000	1,777,360	2,030,496	253,136	14.2%
Transfer - Lands and minerals trust fund	35,000,000	0	0	0	0	N/A
Transfer - Permanent oil tax trust fund	1,124,935,590 ¹⁰	0	0	0	0	N/A
Transfer - Tax relief fund	0	295,000,000	341,790,000	657,000,000	315,210,000	92.2%
Transfer - Strategic investment and improvements fund	0	305,000,000	520,000,000	0	(520,000,000)	(100.0%)
Transfer - Budget stabilization fund	0	0	11,060,345	572,485,453	561,425,108	5076.0%
Transfers - Other	4,556,650	253,116	214,153	75,906	(138,247)	(64.6%)
Total transfers and other sources	\$1,190,082,508	\$625,487,038	\$894,959,058	\$1,357,636,749	\$462,677,691	51.7%
Total beginning balance, revenues, and transfers	\$4,294,538,303	\$6,152,687,271	\$7,197,856,692	\$5,657,599,428	(\$1,540,257,264)	(21.4%)

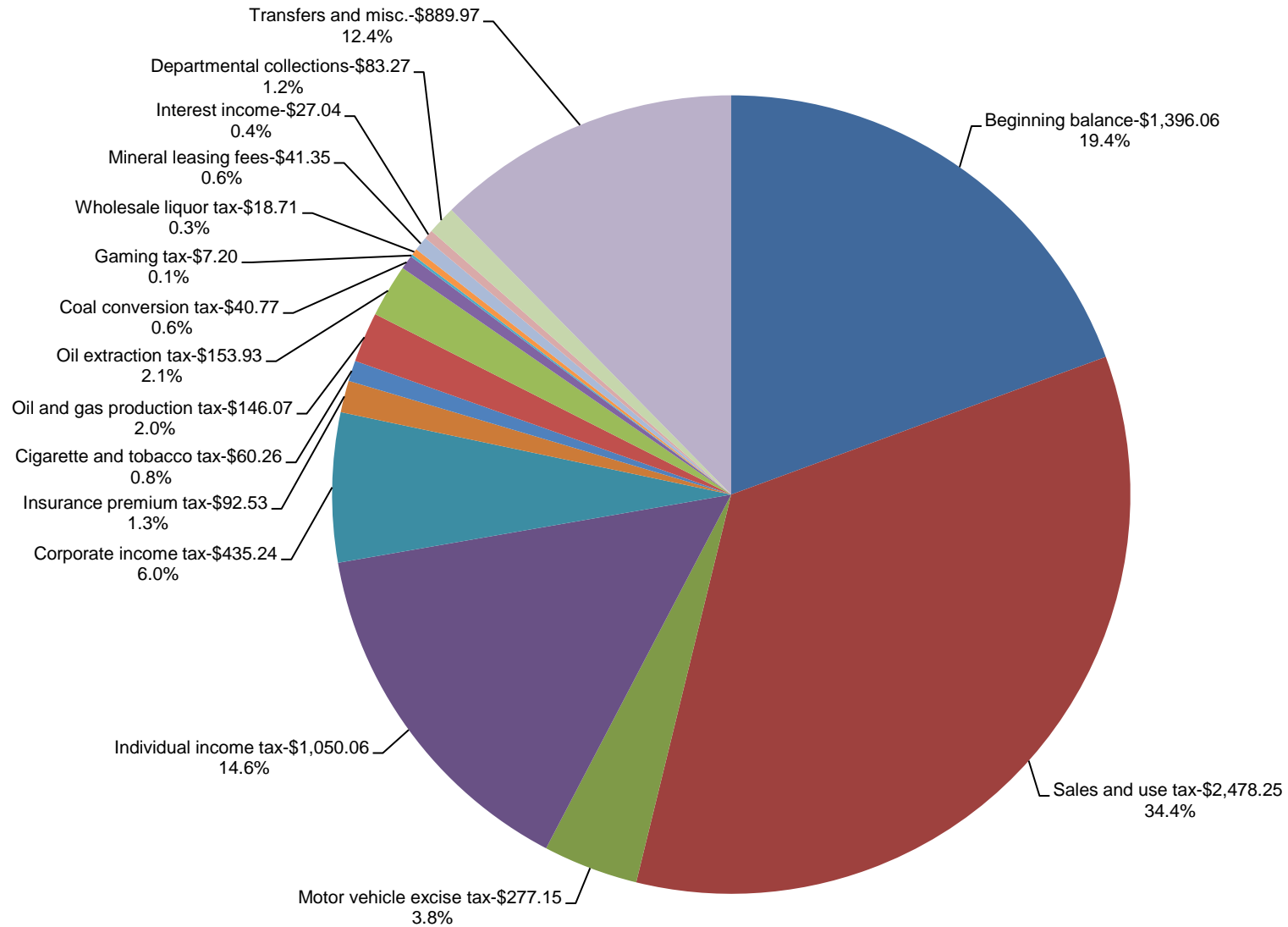
¹ The amounts shown for the 2015-17 biennium reflect the August 2016 revised legislative estimate.

² Senate Bill No. 2012 (2009) provides for 25 percent of motor vehicle excise taxes to be deposited in the highway fund rather than the general fund for the 2009-11 biennium. This bill reduced general fund motor vehicle excise tax collections by \$41.5 million for the 2009-11 biennium.

³ The amount shown for the 2009-11 biennium reflects net collections after the income tax relief provided by the 2009 Legislative Assembly, which was estimated to be \$90 million. The amount shown for the 2011-13 biennium reflects net collections after the income tax relief provided by the 2011 Legislative Assembly, which was estimated to be \$120 million. The amount shown for the 2013-15 biennium reflects net collections after the income tax relief provided by the 2013 Legislative Assembly, which was estimated to be \$200 million. The amount shown for the 2015-17 biennium includes an \$87 million reduction relating to income tax relief and a \$15 million reduction relating to housing incentive fund tax credits based on legislative action.

- ⁴ The amount shown for the 2009-11 biennium reflects net collections after the income tax relief provided by the 2009 Legislative Assembly, which was estimated to be \$10 million. The amount shown for the 2011-13 biennium reflects net collections after the income tax relief provided by the 2011 Legislative Assembly, which was estimated to be \$25 million. The amount shown for the 2013-15 biennium reflects net collections after the income tax relief provided by the 2013 Legislative Assembly, which was estimated to be \$50 million. The amount shown for the 2015-17 biennium includes a \$21 million reduction relating to income tax relief and a \$15 million reduction relating to housing incentive fund tax credits based on legislative action.
- ⁵ Senate Bill No. 2325 (2013) repealed the business privilege tax and requires financial institutions to file corporate income tax returns. This bill is anticipated to reduce business privilege tax collections by \$7.3 million and increase corporate income tax collections by \$22.5 million during the 2013-15 biennium. The amounts shown for the 2013-15 biennium and the 2015-17 biennium reflect collections and refunds related to amended tax returns for prior tax years.
- ⁶ From 1999 through 2003, North Dakota Century Code Section 57-51.1-07.2 provided that if, at the end of any biennium, oil and gas gross production and extraction tax collections during the biennium exceed \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. From 2003 to 2011, of the state's share, the first \$71 million of oil tax collections was deposited in the general fund and all remaining revenue was transferred into the permanent oil tax trust fund. Interest on money in the fund is transferred to the general fund.
- ⁷ The 2011 Legislative Assembly created a new section to Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1. The 2015 Legislative Assembly amended the section to allocate the state's share as follows:
- The first \$200 million is deposited in the general fund;
 - The next \$300 million is deposited in the tax relief fund;
 - The next \$100 million is deposited in the general fund;
 - The next \$100 million is deposited in the strategic investment and improvements fund;
 - The next \$22 million is deposited in the state disaster relief fund, but not in an amount that would bring the unobligated balance to more than \$25 million; and
 - Any remaining revenues are allocated to deposit 70 percent in the strategic investment and improvements fund and to deposit 30 percent in the political subdivision allocation fund.
- The state's share of oil and gas tax collections was \$1,666 million for the 2013-15 biennium. Of the \$1,668 million, \$300 million was deposited in the general fund, \$342 million in the property tax relief fund, \$22 million in the state disaster relief fund, and \$1,004 million in the strategic investment and improvements fund. The state's share of oil and gas tax collections is estimated to be \$741 million for the 2015-17 biennium. Of the \$741 million, \$300 million is to be deposited in the general fund, \$300 million in the tax relief fund, \$14 million in the state disaster relief fund, \$119 million in the strategic investment and improvements fund, and \$8 million in the political subdivision allocation fund.
- The amounts shown for the oil and gas gross production tax and oil extraction tax collections for the 2015-17 biennium reflect the July 2016 revised revenue forecast.
- ⁸ In Senate Bill No. 2379, the Legislative Assembly, during the August 2016 special legislative session, provided for a contingent transfer of up to \$100 million of Bank of North Dakota profits to the general fund.
- ⁹ The 2009 Legislative Assembly repealed the \$5 million transfer from the Mill and Elevator Association for the 2007-09 biennium and provided for future transfers from the Mill and Elevator based on a percentage of mill profits. The amount shown for the 2011-13 biennium reflects Mill and Elevator profits for the 2011-13 biennium. The 2013 Legislative Assembly provided that the transfer from the Mill and Elevator for the 2013-15 biennium be 50 percent of mill profits or \$6,817,200, whichever is less. The amount shown for the 2015-17 biennium reflects the changes approved by the 2015 Legislative Assembly, which provides for a transfer of 50 percent of the profits without limitation.
- ¹⁰ The 2011 Legislative Assembly repealed the permanent oil tax trust fund and provided for a transfer of the balance in the fund to the general fund at the end of the 2009-11 biennium. Therefore, transfers from the permanent oil tax trust fund increased from \$435 million as provided for by the 2009 Legislative Assembly to \$1,124,900,000 due to action by the 2011 Legislative Assembly to repeal the permanent oil tax trust fund at the end of the 2009-11 biennium in House Bill No. 1451.

2013-15 ACTUAL GENERAL FUND REVENUES
 Total 2013-15 ACTUAL General Fund Revenues - \$7,197,856,692
 (Amounts Shown in Millions)



NOTE: The amounts for transfers and miscellaneous revenues include business privilege tax refunds of \$4,985,620 related to prior period adjustments, which resulted in a negative balance for business privilege tax collections. The 2013 Legislative Assembly repealed the business privilege tax.

2015-17 ESTIMATED GENERAL FUND REVENUES
 Total 2015-17 Estimated General Fund Revenues - \$5,657,599,428
 (Amounts Shown in Millions)

