

SECTION B - GENERAL FUND REVENUES

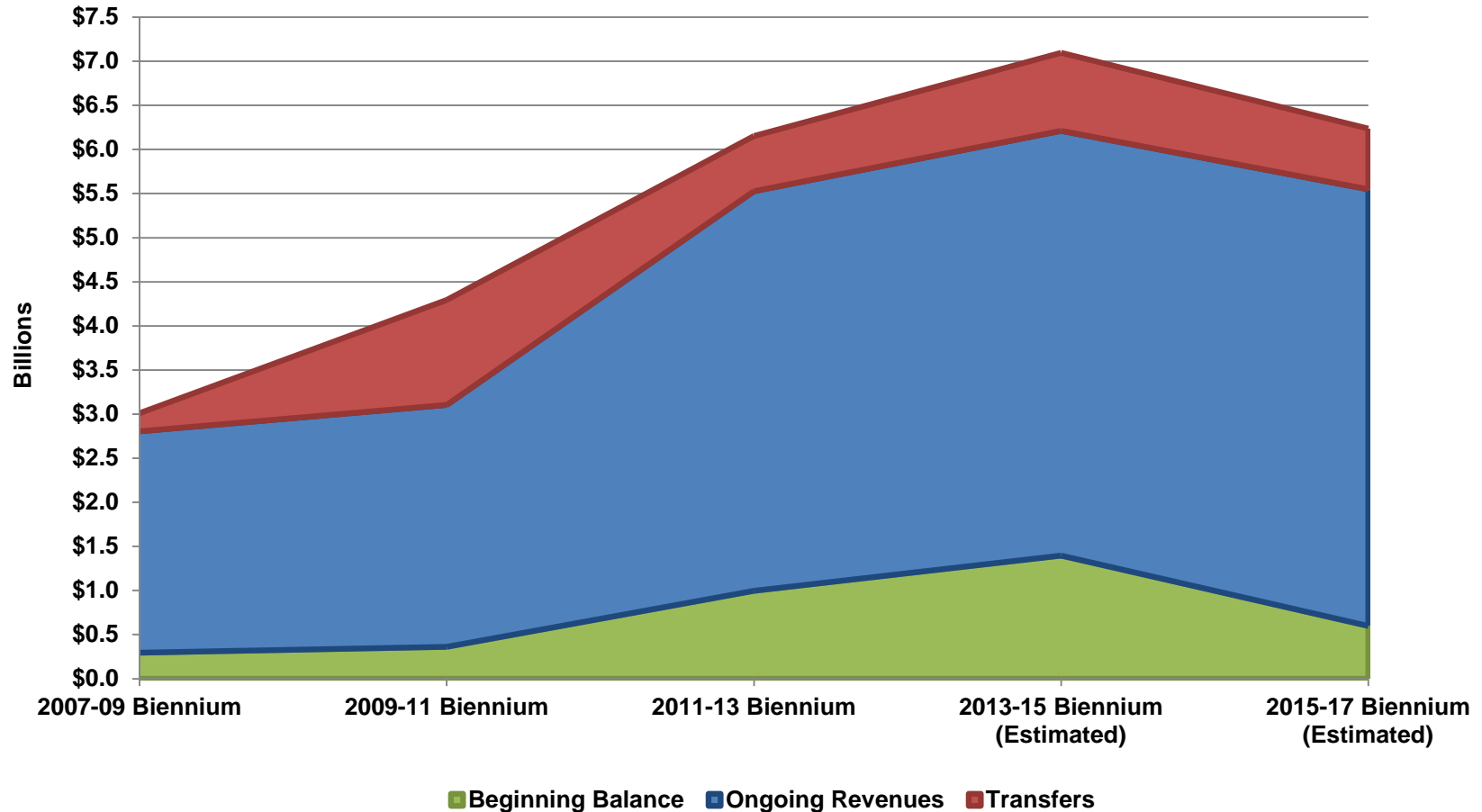
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REVENUE SUMMARY

TOTAL GENERAL FUND REVENUES

Based on the 2015-17 biennium legislative revenue forecast, total 2015-17 biennium general fund revenues, including the estimated beginning balance, ongoing revenues, and transfers are estimated to be \$6,237,172,270, which is \$859,100,908, or 12.1 percent, less than total 2013-15 biennium estimated revenues of \$7,096,273,178.

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 (Estimated)	2015-17 Biennium (Estimated)
Beginning balance	\$295,541,176	\$361,843,514	\$996,832,711	\$1,396,059,186	\$598,664,078
Ongoing revenues	2,509,657,137	2,742,612,281	4,530,367,522	4,815,449,878	4,950,442,696
Transfers	205,606,243	1,190,082,508	625,487,038	884,764,114	688,065,496
Total	\$3,010,804,556	\$4,294,538,303	\$6,152,687,271	\$7,096,273,178	\$6,237,172,270

GENERAL FUND BEGINNING BALANCE

The December 2014 base revenue forecast reflected a 2015-17 biennium estimated general fund beginning balance of \$692,824,955. Based on the revised revenue forecast adopted by the Legislative Assembly in March 2015, the 2015-17 biennium estimated beginning balance decreased by \$85,452,891 compared to the December 2014 base revenue forecast. Based on final legislative action, **the July 1, 2015, estimated beginning balance is \$598,664,078**, which reflects a decrease of \$94,160,877 compared to the December 2014 base revenue forecast.

The schedule below provides information on other legislative action affecting the July 1, 2015, beginning general fund balance.

Bill No.	Description	Amount
1003	Reduces carryover authority for the North Dakota University System related to the performance funding pool (\$1 million) and capital assets (\$750,000)	\$1,750,000
1007	Provides carryover authority to the Veterans' Home related to an asbestos removal project	(84,500)
1014	Provides carryover authority to the Industrial Commission for litigation funding	(1,000,000)
1018	Provides carryover authority to the Department of Commerce for base realignment grants	(600,000)
1025	Provides carryover authority to the Department of Veterans' Affairs for service dog grants	(37,500)
1146	Insurance premium tax rate change related to out-of-state risk, which becomes effective on June 1, 2015	(3,333)
2006	Provides carryover authority to the Tax Department for the capital assets line item related to digital scanners	(16,000)
2013	Adjusts carryover authority provided to the Department of Public Instruction for safety grants	(500,000)
2019	Provides carryover authority to the Parks and Recreation Department for office space rental in the Pembina Gorge area and provides a deficiency appropriation to the Parks and Recreation Department for the operations of the Lewis and Clark Interpretive Center	(325,000)
2023	Deficiency appropriations to state agencies	(6,159,026)
2031	Provides carryover authority to Department of Public Instruction for course delivery (\$1,252,627), a study (\$200,000), a review of regional education associations (\$50,000), and instructional materials (\$100,000) and provides carryover authority to the Board for Career and Technical Education for autism spectrum disorder technology grants (\$130,000)	(1,732,627)
Total		(\$8,707,986)

ONGOING GENERAL FUND REVENUE

The December 2014 base revenue forecast reflected 2015-17 biennium estimated ongoing general fund revenue of \$5,524,129,375. Based on the revised revenue forecast adopted by the Legislative Assembly in March 2015, the 2015-17 biennium estimated ongoing revenue decreased by \$417,111,660 compared to the December 2014 base revenue forecast. Based on final legislative action, **2015-17 biennium estimated ongoing general fund revenue is \$4,981,508,192**, which reflects a decrease of \$542,621,183 compared to the December 2014 base revenue forecast. Ongoing general fund revenue includes the transfers from the Mill and Elevator Association, the gas tax administration, and the lottery (See the "Transfers to General Fund" section).

Based on the March 2015 revised revenue forecast and final legislative action, estimated 2013-15 biennium ongoing revenue is \$4,815,449,878. The estimated 2015-17 biennium ongoing general fund revenue of \$4,981,508,192 reflects an increase of \$166,058,314, or 3.4 percent, compared to the 2013-15 biennium revised estimated ongoing revenue.

Major areas of 2015-17 biennium **revenue growth** compared to the 2013-15 biennium revised revenue forecast include:

- Sales and use tax collections are estimated to increase by \$369.46 million, or 14.8 percent.
- Motor vehicle excise tax collections are estimated to increase by \$30.76 million, or 10.8 percent.

Major areas of 2015-17 biennium **revenue reduction** compared to the 2013-15 biennium revised revenue forecast include:

- Individual income tax collections are estimated to decrease by \$166.77 million, or 17.9 percent.
- Corporate income taxes are estimated to decrease by \$90.84 million, or 19.7 percent.
- Mineral leasing fees are estimated to decrease by \$18.95 million, or 49.1 percent.

The 2015 Legislative Assembly approved the following bills, which have a major impact on revenues:

Sales and Use Taxes

- **House Bill No. 1020** transfers \$1 million of farm machinery gross receipts tax collections to the agricultural research fund instead of depositing the revenue in the general fund.
- **House Bill No. 1434** authorizes additional alcohol sales on Sunday resulting in an estimated increase of \$130,560 in sales and use tax collections.
- **Senate Bill No. 2143** increases the amount available to counties for matching grants from the senior citizen services and programs fund. This bill is anticipated to reduce sales and use tax collections deposited in the general fund by \$183,000 during the 2015-17 biennium.

Motor Vehicle Excise Taxes

- **Senate Bill No. 2143** increases the amount available to counties for matching grants from the senior citizen services and programs fund. This bill is anticipated to reduce motor vehicle excise tax collections deposited in the general fund by \$20,000 during the 2015-17 biennium.

Income Taxes

- **House Bill No. 1014** provides for \$30 million of income tax credits for contributions to the housing incentive fund during the 2015-17 biennium, decreasing individual income tax collections by an estimated \$15 million and decreasing corporate income tax collections by an estimated \$15 million.
- **Senate Bill No. 2292** allows businesses to use an alternate method for apportioning income. The estimated impact of this bill is a decrease of \$15 million to corporate income tax collections during the 2015-17 biennium.
- **Senate Bill No. 2329** provides an additional \$2 million of income tax credits for renaissance zones resulting in a decrease in the corporate income tax collections during the 2015-17 biennium.
- **Senate Bill No. 2349** amends the corporate and individual income tax rates. Individual income tax rates are reduced by 10 percent resulting in an estimated decrease of \$87 million in individual income tax collections during the 2015-17 biennium. Corporate income tax rates are reduced by 5 percent resulting in an estimated decrease of \$21 million in corporate income tax collections during the 2015-17 biennium.

TRANSFERS TO THE GENERAL FUND

The March 2015 revised revenue forecast decreased the December 2014 base revenue forecast estimated total transfers by \$2 million, from \$26,347,696 to \$24,347,696 for the 2015-17 biennium. The \$2 million decrease is related to the transfer from the lottery. The transfers reflected in the base revenue forecast includes the transfers from the Mill and Elevator Association, the gas tax administration, and the lottery, all of which are considered ongoing general fund revenue. The 2015 Legislative Assembly provided for 2015-17 biennium transfers to the general fund of \$688,065,496, an increase of \$663,717,800 compared to the December 2014 base revenue forecast.

Major legislative action affecting the 2015-17 biennium transfers to the general fund includes:

- **House Bill No. 1014** provides for a transfer of 50 percent of the Mill and Elevator's profits without limitation, which are estimated to be \$13,755,000. The December 2014 base revenue forecast reflected a transfer of \$6,817,200, resulting in an increase of \$6,957,800 in the final legislative estimate.
- **Senate Bill No. 2003** increases the amount of lottery proceeds designated for gambling addiction services reducing the amount transferred to the general fund by \$240,000.
- **Senate Bill No. 2015** provides for a one-time transfer of \$657 million from the tax relief fund. The December 2014 base revenue forecast did not include this transfer.

OIL AND GAS TAX REVENUE

The 2015-17 biennium forecasted oil tax revenue collections are based on tax rates, incentives and exemptions, oil prices, and oil production. The March 2015 revised revenue forecast reflects oil prices increasing from \$41.97 to \$52.56 per barrel and average daily oil production remaining at 1.1 million barrels per day for the 2015-17 biennium. Actual oil prices, oil production, and other factors throughout the 2015-17 biennium could increase or decrease actual oil tax revenue collections. Based on final legislative action, the **2015-17 biennium estimated oil and gas tax revenue collections are \$3,433,730,000.**

In House Bill No. 1176, the 2015 Legislative Assembly increased the county allocation of revenue over \$5 million by 5 percent to provide 30 percent of all revenue over \$5 million to the county. The Legislative Assembly changed the definition of a hub city resulting in increased allocations to hub cities and hub city school districts. In addition, the Legislative Assembly provided an additional allocation to school districts in certain counties that received \$5 million or more.

In House Bill No. 1377, the 2015 Legislative Assembly removed the contingent transfers from the strategic investment and improvements fund to the legacy fund, renamed the property tax relief fund the tax relief fund, and changed the allocation of the state's share of oil and gas tax revenue. The changes to the allocation of the state's share include decreasing the allocation to the tax relief fund from \$342.79 million to \$300 million and allocating the remaining revenue to the strategic investment and improvements fund (70 percent) and to the political subdivision allocation fund (30 percent). The State Treasurer allocates the money in the political subdivision allocation fund to political subdivisions proportional to the allocations to political subdivisions under the 4 percent of the 5 percent oil and gas gross production tax.

In House Bill No. 1476, the 2015 Legislative Assembly changed the oil extraction tax rate from 6.5 percent to 5 percent effective January 1, 2016, removed the rate reductions and exemptions included in the provisions of the "large" trigger, and provided a new oil extraction tax trigger allowing for a 6 percent oil extraction tax if, for three consecutive months, the price of West Texas Intermediate crude oil exceeds the trigger price of \$90 as adjusted for inflation.

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.

Other Major Tax and Fee Changes

The following is a summary of other bills approved by the 2015 Legislative Assembly that provide for major tax or fee changes:

Bill No.	Description	Estimated Impact - Other Funds
1101	Increases annual license fees collected by the Department of Financial Institutions and allows the department to collect branch fees for out-of-state financial institutions	\$132,800
1238	Provides for a \$1 increase per animal in the beef check-off assessment collected by the North Dakota Beef Commission	\$2,000,000
1360	Increases collections by the Department of Transportation from the issuance of a "patriotic" license plate	\$78,345
2164	Provides for an increase in the licensing fees for snowmobiles	\$214,000
2175	Eliminates the requirement that \$.07 per gallon be withheld from all agriculture-related fuel tax refunds and deposited in the agricultural research fund	(\$230,000)
2186	Removes the June 30, 2015, effective date allowing honey assessments to remain at \$.10 per colony rather than \$.05	\$50,000
2278	Increases contractor licensing and renewal fees and diverts 25 percent of the fees to the Secretary of State's operating account rather than the general fund	\$580,000

**GENERAL FUND REVENUE ESTIMATES FOR THE 2013-15 AND 2015-17 BIENNIUMS
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 ¹	2015-17 Biennium ²	Amount	Percentage
Beginning balance	\$361,843,514	\$996,832,711	\$1,396,059,186	\$598,664,078	(\$797,395,108)	(57.1%)
Revenue source						
Sales and use tax	\$1,267,211,331	\$2,196,977,793	\$2,498,566,100	\$2,868,026,560	\$369,460,460	14.8%
Motor vehicle excise tax	124,425,401	252,725,403	283,563,958	314,324,000	30,760,042	10.8%
Individual income tax	729,255,895 ⁴	1,046,161,236 ⁴	930,041,203 ⁴	763,276,000 ⁴	(166,765,203)	(17.9%)
Corporate income tax	234,364,296 ⁵	385,814,247 ⁵	462,265,247 ⁵	371,422,000 ⁵	(90,843,247)	(19.7%)
Insurance premium tax	63,150,948	82,857,729	84,927,055	91,830,364	6,903,309	8.1%
Business privilege tax	6,748,753	11,236,510	(4,871,446) ⁶	0	4,871,446	(100.0%)
Cigarette and tobacco tax	46,253,470	53,723,649	59,511,291	61,334,000	1,822,709	3.1%
Oil and gas production tax	32,718,333 ⁷	133,834,000 ⁸	146,071,108 ⁸	155,570,000 ⁸	9,498,892	6.5%
Oil extraction tax	38,281,667 ⁷	166,166,000 ⁸	153,928,892 ⁸	144,430,000 ⁸	(9,498,892)	(6.2%)
Coal conversion tax	39,064,299	38,399,414	38,875,236	39,578,000	702,764	1.8%
Gaming tax	16,189,991	11,136,421	7,097,793	7,106,250	8,457	0.1%
Wholesale liquor tax	15,163,855	17,617,501	18,321,019	18,995,000	673,981	3.7%
Mineral leasing fees	17,521,635	43,052,074	38,615,762	19,667,704	(18,948,058)	(49.1%)
Interest income	43,684,825	13,671,280	19,930,091	20,999,500	1,069,409	5.4%
Departmental collections	68,577,582	76,994,265	78,606,569	73,883,318	(4,723,251)	(6.0%)
Total revenues	\$2,742,612,281	\$4,530,367,522	\$4,815,449,878	\$4,950,442,696	\$134,992,818	2.8%
Transfers and other sources						
Transfer - Bank of North Dakota	\$0	\$0	\$0	\$0	\$0	N/A
Transfer - Student loan trust fund	0	0	0	0	0	N/A
Transfer - Mill and Elevator Association	13,902,268 ⁹	9,448,922 ⁹	6,817,200 ⁹	13,775,000 ⁹	6,957,800	102.1%
Transfer - Lottery	10,400,000	14,300,000	14,200,000	15,260,000	1,060,000	7.5%
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 - Property 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%)
Transfers - Other	4,556,650	253,116	179,554	0	(179,554)	(100.0%)
Total transfers and other sources	\$1,190,082,508	\$625,487,038	\$884,764,114	\$688,065,496	(\$196,698,618)	(22.2%)
Total beginning balance, revenues, and transfers	\$4,294,538,303	\$6,152,687,271	\$7,096,273,178	\$6,237,172,270	(\$859,100,908)	(12.1%)

¹ Revised 2013-15 revenue forecast (March 2015).

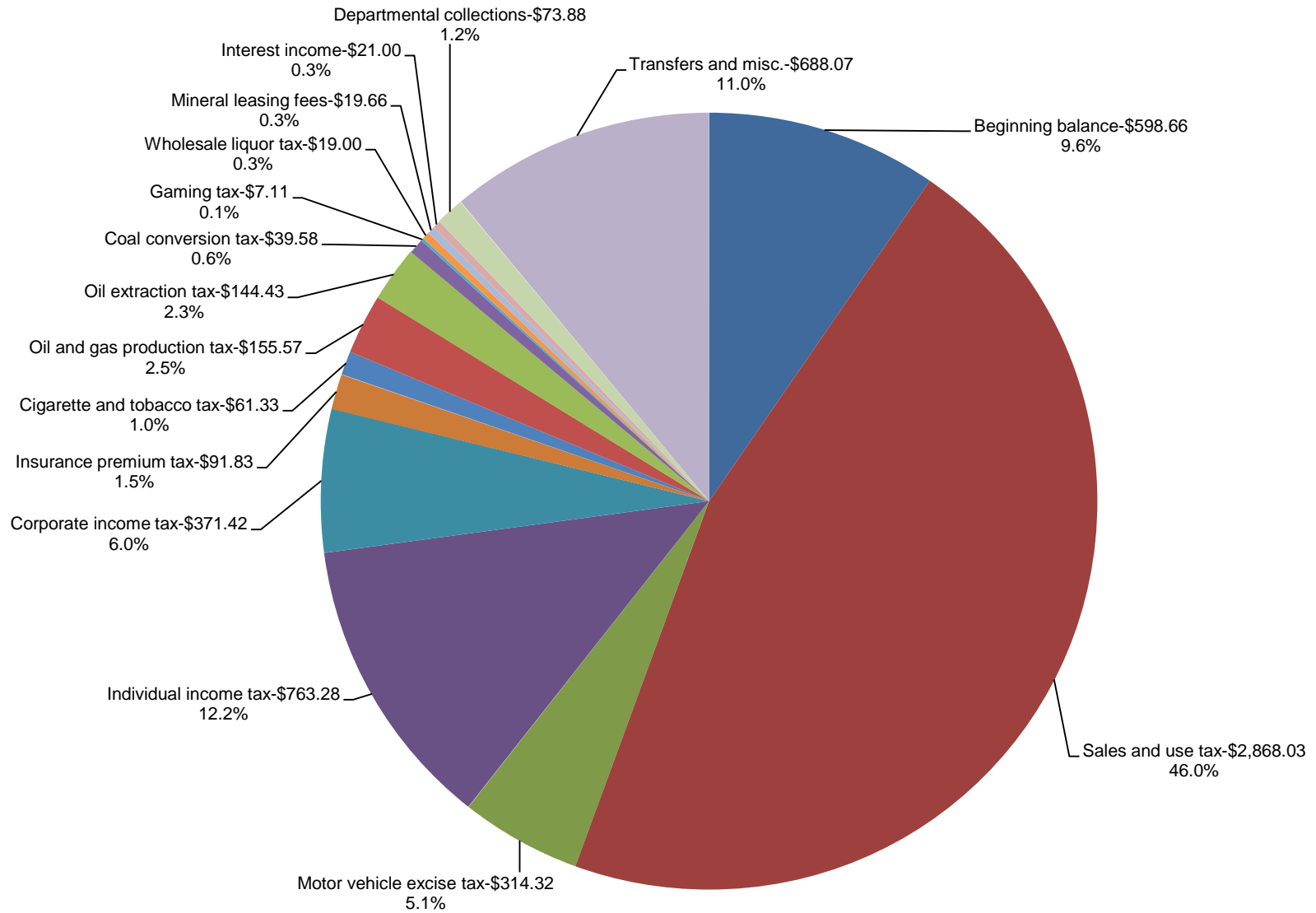
² Legislative forecast for the 2015-17 biennium.

³ 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.

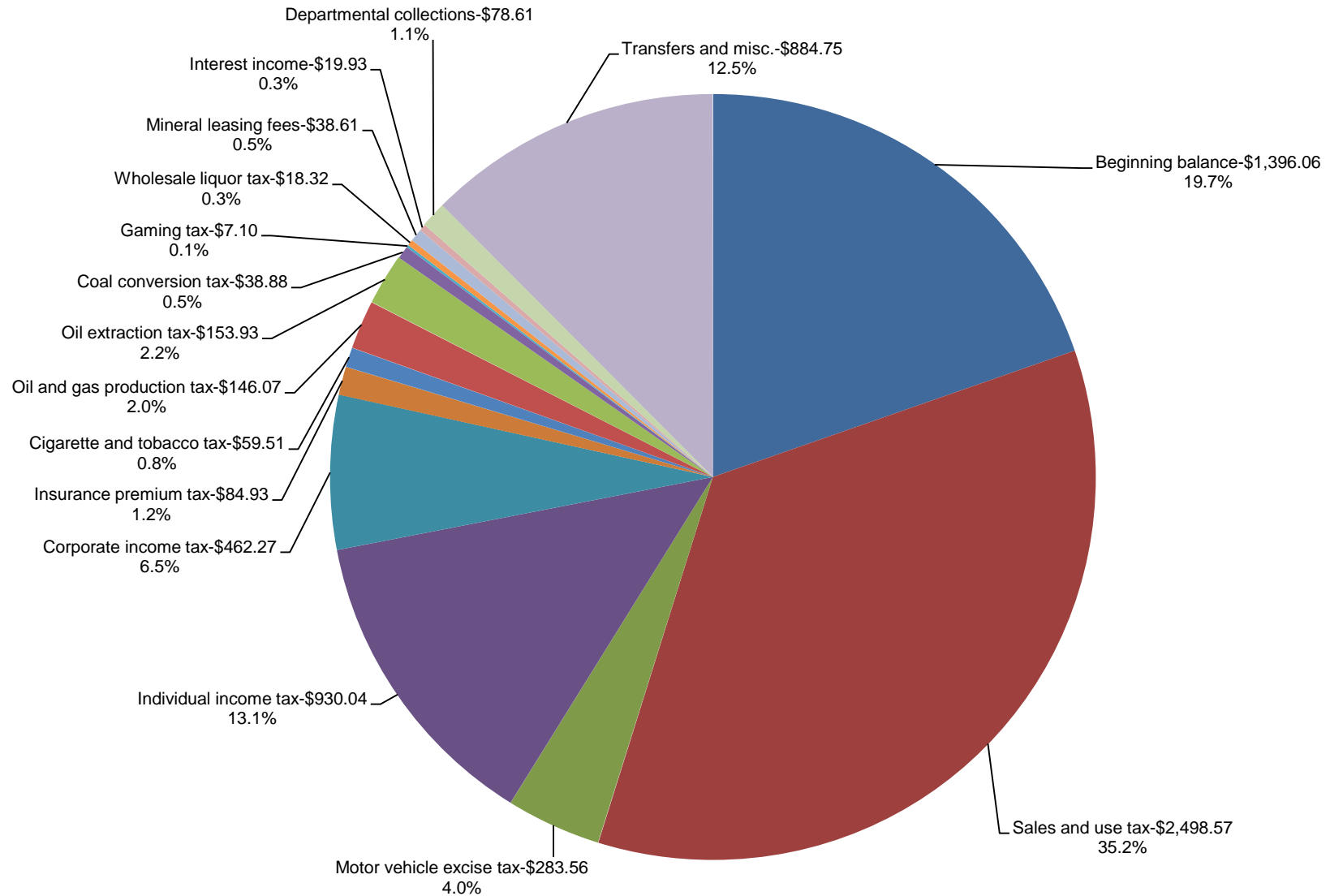
⁴ The amount shown for the 2009-11 biennium reflects a revenue reduction of \$90 million relating to income tax relief. The amount shown for the 2011-13 biennium reflects a revenue reduction of an additional \$120 million relating to income tax rate reductions of 17.9 percent as provided for in 2011 House Bill No. 1047. The amount shown for the 2013-15 biennium reflects a revenue reduction of an additional \$200 million relating to income tax relief. The amount shown for the 2015-17 biennium includes a \$87 million reduction relating to income tax relief and a \$15 million reduction relating to housing incentive fund tax credits based on legislative action.

- ⁵ The amount shown for the 2009-11 biennium reflects a revenue reduction of \$10 million relating to income tax relief. The amount shown for the 2011-13 biennium reflects a revenue reduction of an additional \$25 million relating to income tax rate reductions of 19.5 percent as provided for in 2011 House Bill No. 1047. The amount shown for the 2013-15 biennium reflects a revenue reduction of an additional \$50 million relating to income tax relief. 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.
- ⁶ 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.
- ⁷ 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.
- ⁸ 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 of in the political subdivision allocation fund.
- The state's share of oil and gas tax collections are estimated to be \$1,666 million for the 2013-15 biennium. Of the \$1,666 million, \$300 million is to be deposited in the general fund, \$342 million in the property tax relief fund, \$22 million in the state disaster relief fund, and \$1,002 million in the strategic investment and improvements fund before any potential transfers to the legacy fund. The state's share of oil and gas tax collections are estimated to be \$862 million for the 2015-17 biennium. Of the \$862 million, \$300 million is to be deposited in the general fund, \$300 million in the tax relief fund, \$16 million in the state disaster relief fund, \$202 million in the strategic investment and improvements fund, and \$44 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 March 2015 revised revenue forecast and final legislative action, which changed the oil extraction tax rate, the allocations political subdivisions, and the allocation of the state's share.
- 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.

2015-17 ESTIMATED GENERAL FUND REVENUES
 Total 2015-17 Estimated General Fund Revenues - \$6,237,172,270
 (Amounts Shown in Millions)



2013-15 ESTIMATED GENERAL FUND REVENUES
 Total 2013-15 Estimated General Fund Revenues - \$7,101,144,624
 (Amounts Shown in Millions)



NOTE: The amounts shown in the chart above do not include business privilege tax refunds of \$4,871,446 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.

DEFICIENCY APPROPRIATIONS FOR THE 2013-15 BIENNIUM

	General Fund	Other Funds	Total
House Bill No. 1364 - Department of Veterans' Affairs - \$380,000 from federal funds and other income for transportation services or the purchase of vehicles to provide transportation services to veterans		\$380,000	\$380,000
Senate Bill No. 2012 - Department of Human Services - \$87 million from federal funds for medical assistance grants		87,000,000	87,000,000
Senate Bill No. 2019 - Parks and Recreation Department - \$125,000 from the general fund for operating costs of the Lewis and Clark Interpretive Center	\$125,000		125,000
Senate Bill No. 2023 - Deficiency appropriations for various state agencies as follows:			
Attorney General - \$50,000 from the general fund for operating expenses	50,000		50,000
Secretary of State - \$1.35 million from the general fund including \$950,000 to repay a Bank of North Dakota loan authorized for the Central Indexing System information technology project and \$400,000 for a business process modeling study	1,350,000		1,350,000
Commission on Legal Counsel for Indigents - \$700,000 from the general fund for expenses resulting from increased caseloads	700,000 ¹		700,000 ¹
Minot State University - \$1,800,579 from the general fund for flood-related expenditures	1,800,579		1,800,579
Williston State College - \$50,000 from the general fund to repair the roof of the boiler building	50,000		50,000
Valley City State University - \$152,000 from the general fund for building demolition costs and \$3 million from the state disaster relief fund for flood protection projects	152,000	3,000,000	3,152,000
Department of Health - \$720,900 from the general fund for the local public health vaccine purchasing program (\$470,900) and for pending legal actions with the United State Environmental Protection Agency (\$250,000)	720,900		720,900
Department of Corrections and Rehabilitation - \$1,135,547 from the general fund to repay a Bank of North Dakota loan and interest authorized for the State Penitentiary building project	1,135,547		1,135,547
Adjutant General - \$5 million from the state disaster relief fund to repay a Bank of North Dakota loan for the state's share of disaster costs		5,000,000	5,000,000
Total Senate Bill No. 2023	\$5,959,026	\$8,000,000	\$13,959,026
Senate Bill No. 2103 - State Treasurer - \$298 million from the strategic investment and improvements fund for distributions to political subdivisions for the 2013-15 biennium including \$100 million to the incorporated cities in the top 10 oil producing counties; \$16 million to organized and unorganized townships in the 43 non-oil-producing counties; \$10 million to eligible incorporated cities; and \$172 million to Williston, Dickinson, Minot, and Watford City.		298,000,000	298,000,000
Total deficiency appropriations for the 2013-15 biennium	\$6,084,026	\$393,380,000	\$399,464,026

¹In addition, in Section 3 of Senate Bill No. 2023, the Legislative Assembly directed the Office of Management and Budget to transfer \$200,000 from the state contingencies appropriation to the Commission on Legal Counsel for Indigents during the 2013-15 biennium.