

Budget Basics

Prepared by the North Dakota Legislative Council
Part 4 | June 2022

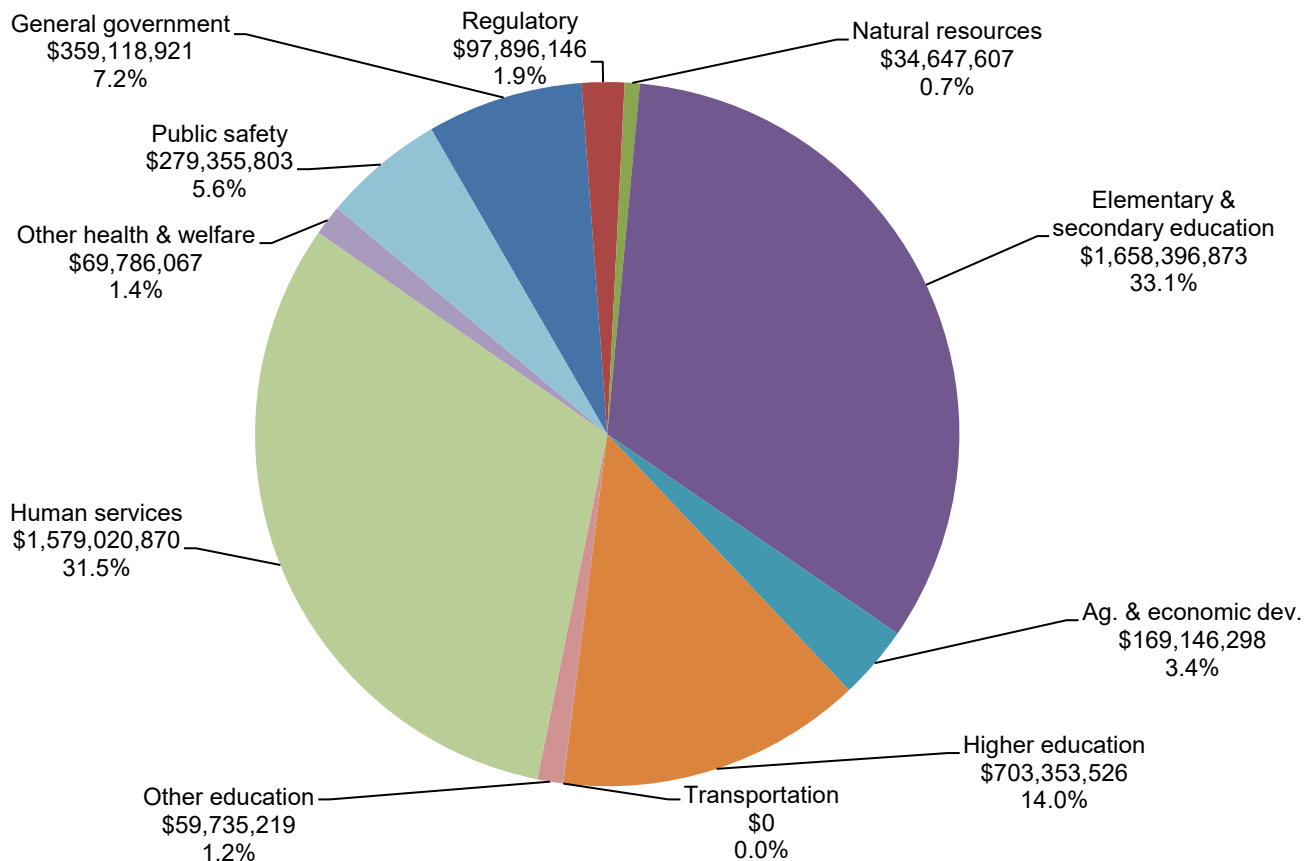
SOURCES AND USES OF FUNDS

State revenues include tax collections, regulatory and user fees, federal government allocations, and transfers from other sources. All revenues are deposited in the general fund unless designated for another purpose by the constitution or statute. Revenues may be allocated to one or more funds and funding may be appropriated from a fund to one or more agencies. Funds may be established by the constitution or in statute. Constitutional and statutory provisions may limit the use of a fund or provide for only the interest and earnings of the fund to be spent. A chart summarizing the estimated revenue sources and distributions for major state funds for the 2021-23 biennium may be viewed at this [link](#).

GENERAL FUND

The general fund is the primary state fund and supports operations of government services. Most revenues deposited in the general fund are from tax collections, including sales and income taxes. Transfers may be made to the general fund from other sources, including Bank of North Dakota profits, Mill and Elevator Association profits, and cash available in the strategic investment and improvements fund.

Funding in the general fund is spent through appropriations approved by the Legislative Assembly. For the 2021-23 biennium, nearly 80 percent of general fund appropriations are for the support of elementary and secondary education, higher education, and human services programs. The graph below identifies the major categories of general fund appropriations for the 2021-23 biennium.



FEDERAL FUNDS

Federal funds are received by the state to support various programs. During the 2021-23 biennium, the Legislative Assembly approved state agencies to receive and expend \$6.7 billion of federal funds. Use of federal funds are limited to the program or purpose for which they are received. The majority of federal funds received by the state are used for Medicaid, economic assistance programs, transportation projects, unemployment insurance, the National Guard, and for the 2021-23 biennium, the COVID-19 pandemic.

SPECIAL FUNDS

Special funds generally have a designated source of revenue and the use of the funds may be restricted by the constitution or statute. The majority of special funds appropriated by the Legislative Assembly each biennium are used for transportation projects, water projects, Game and Fish Department costs, and higher education operations.

MAJOR STATE FUNDS

The following is a summary of major state funds:

Fund Name	Fund Purpose	Estimated Balance - June 30, 2023
Budget stabilization fund	Any amount in the general fund at the end of a biennium in excess of \$65 million is transferred to the budget stabilization fund; however, the balance in the budget stabilization fund may not exceed 15 percent of the general fund budget approved by the most recently adjourned Legislative Assembly. The Governor may order a transfer from the budget stabilization fund to the general fund if the Director of the Office of Management and Budget projects general fund revenues for the biennium to be less than estimated by the most recently adjourned Legislative Assembly and the Governor orders budget allotments of at least 3 percent.	\$751.6 million
Common schools trust fund	The fund is used to support schools in the state. Distributions from the common schools trust fund is 10 percent of the 5-year average value of trust assets, excluding the value of lands and minerals. Money deposited into the fund is from the following sources: <ul style="list-style-type: none"> • Proceeds relating to public lands granted to the state by the federal government for the support of the common schools. • Proceeds relating to property acquired by the state through escheat (property reverting to the state in the absence of legal heirs.) • Gifts, donations, and other property acquired by the state for the support of the common schools. • Proceeds of all bonuses relating to the leasing of coal, gas, oil, or other mineral interests relating to common schools lands. 	\$5.9 billion (June 30, 2021, balance)
Legacy fund	The fund receives 30 percent of oil and gas gross production and oil extraction tax revenues on oil and gas produced after June 30, 2011. The principal and earnings of the fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the fund may be spent during a biennium. The earnings of the fund are transferred to the general fund at the end of each biennium beginning with the 2017-19 biennium.	\$10.2 billion
Foundation aid stabilization fund	The fund receives 10 percent of oil extraction tax revenues and may be used to offset state school aid reductions due to a revenue shortage. Amendments to the Constitution of North Dakota approved by voters in November 2016 require the balance in the foundation aid stabilization fund be at least 15 percent of the general fund appropriation for state aid to school districts for the most recently completed biennium. Any excess balance in the fund is available for education-related purposes.	\$154.1 million (balance available after required reserve)
Highway fund	The fund accounts for revenues and expenditures associated with the operations of the Department of Transportation.	\$17.7 million
Strategic investment and improvements fund	The fund accounts for income derived from the sale, lease, and management of the mineral interests acquired by the Board of University and School Lands and receives an allocation of the state's share of oil and gas tax revenues. Money in the fund at the beginning of each biennium may be used for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government.	\$644.2 million (unobligated balance)

Information regarding additional special funds, including updated estimates, may be found in the June 2022 [Analysis of State Trust Funds for the 2019-21 and 2021-23 Bienniums](#).