

son Ave

OUR
RKING
AM
PM

State Revenues and Funding Streams Affecting ND Townships

ND Township Officers Association Meeting
December 6, 2021

URBAN™
stampede

NORTH
Dakota
Be Legendary.



BUDGET OVERVIEW



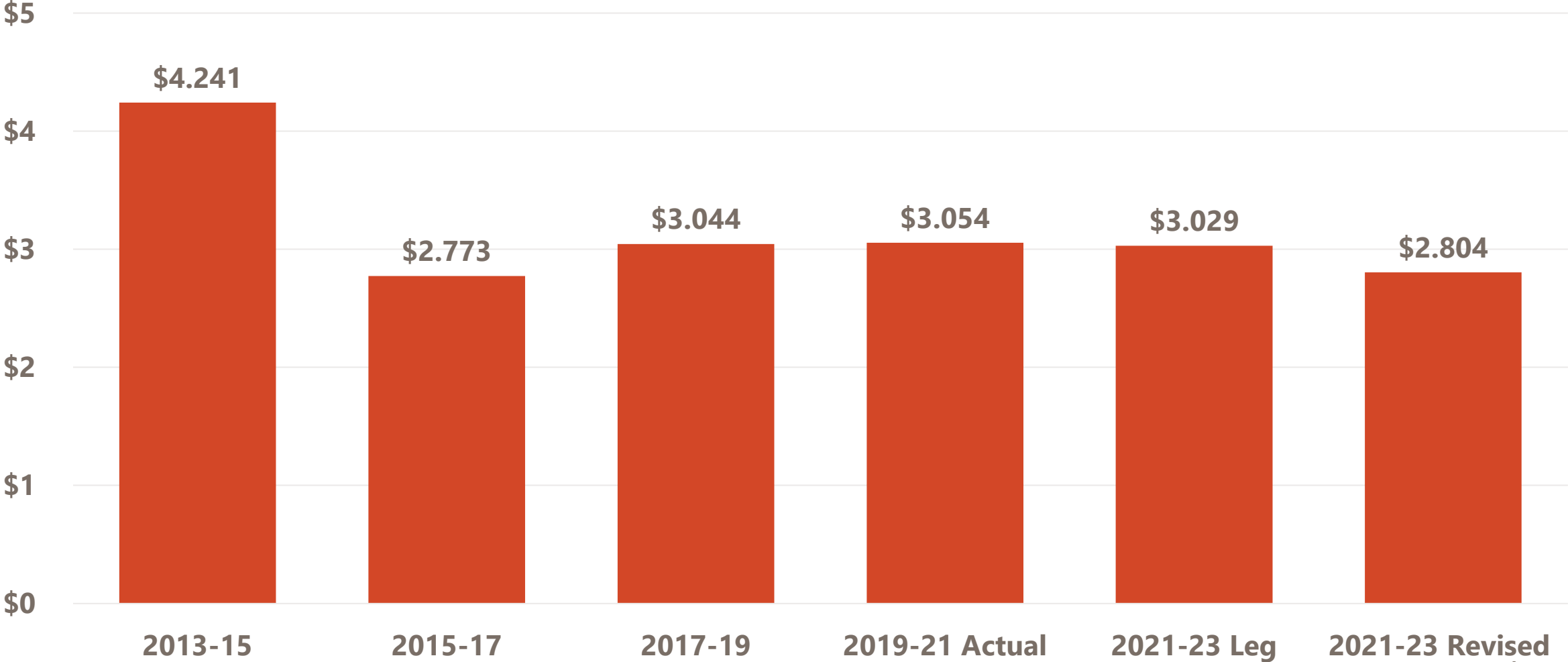
GENERAL FUND STATUS

	2019-21 Revised Budget	2021-23 Original	2021-23 Revised
Beg balance	65.0	710.3	1,122.4
Ongoing revenue - non-oil taxes	3,376.3	3,364.3	3,138.5
Ongoing revenue - oil tax allocations	400.0	400.0	400.0
Transfers	1,576.0	582.0	582.0
Total available	5,417.3	5,056.6	5,242.9
Ongoing expenditures	4,794.9	4,878.1	4,878.1
One-time expenditures	48.6	114.9	114.9
Contingency for loan repayment			17.5
Deficiencies	21.5		
Turnback	(158.0)		
Total uses	4,707.0	4,993.0	5,010.5
Ending Balance	710.3	63.6	232.4

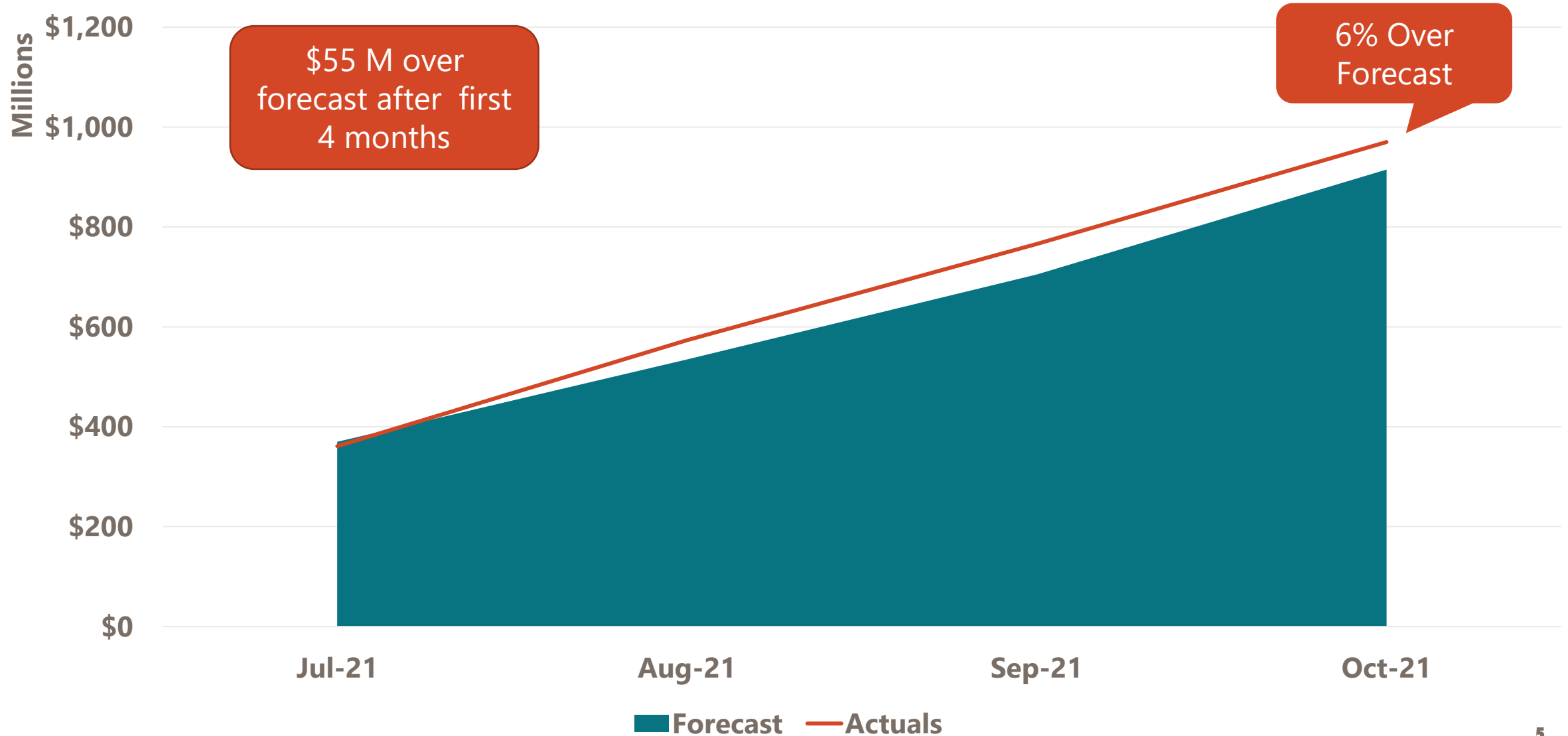
GENERAL FUND REVENUES

FOUR MAJOR TAX TYPES

IN BILLIONS

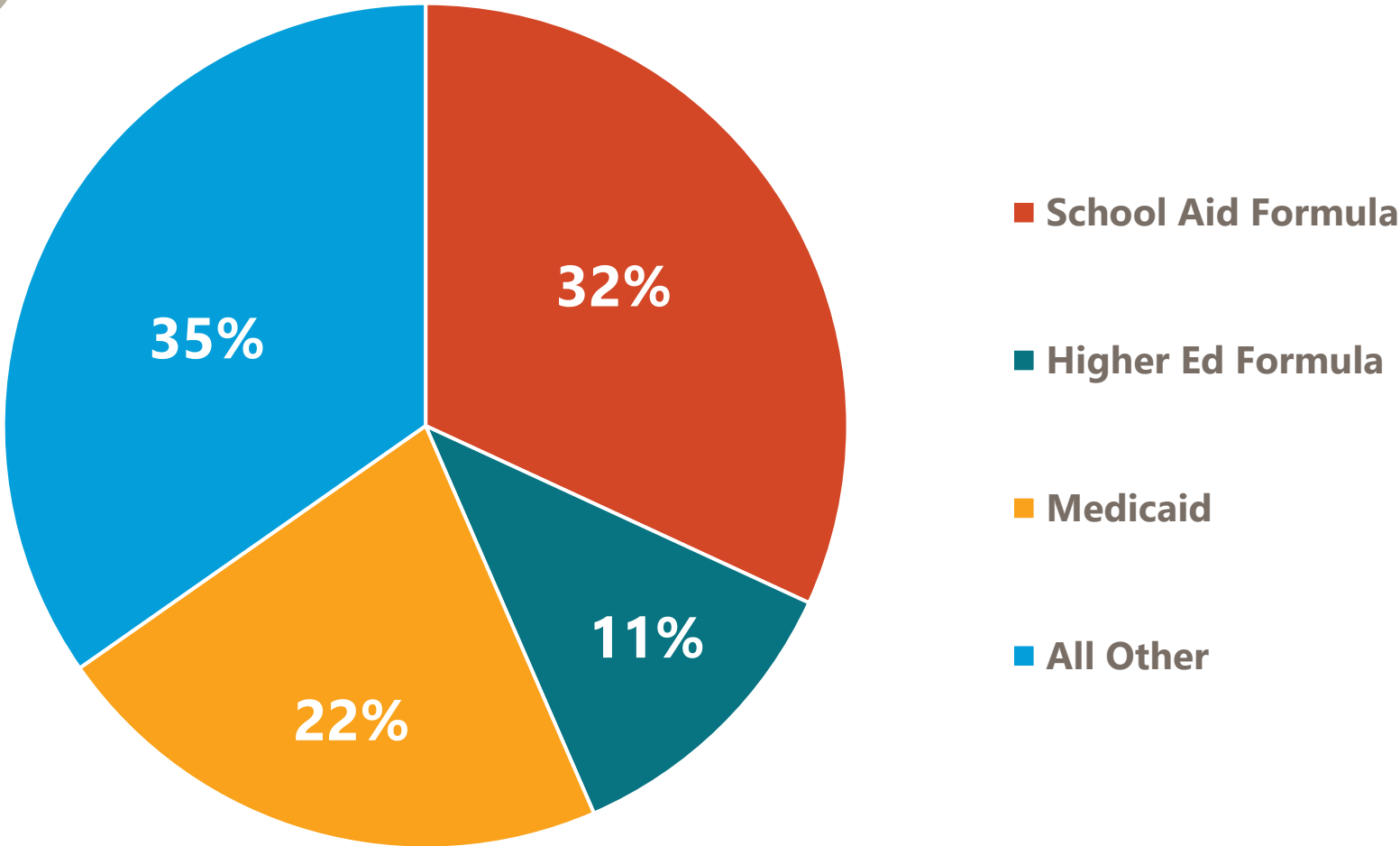


GENERAL FUND REVENUES TRACKING OVER FORECAST



2021-23 GENERAL FUND ONGOING EXPENSES

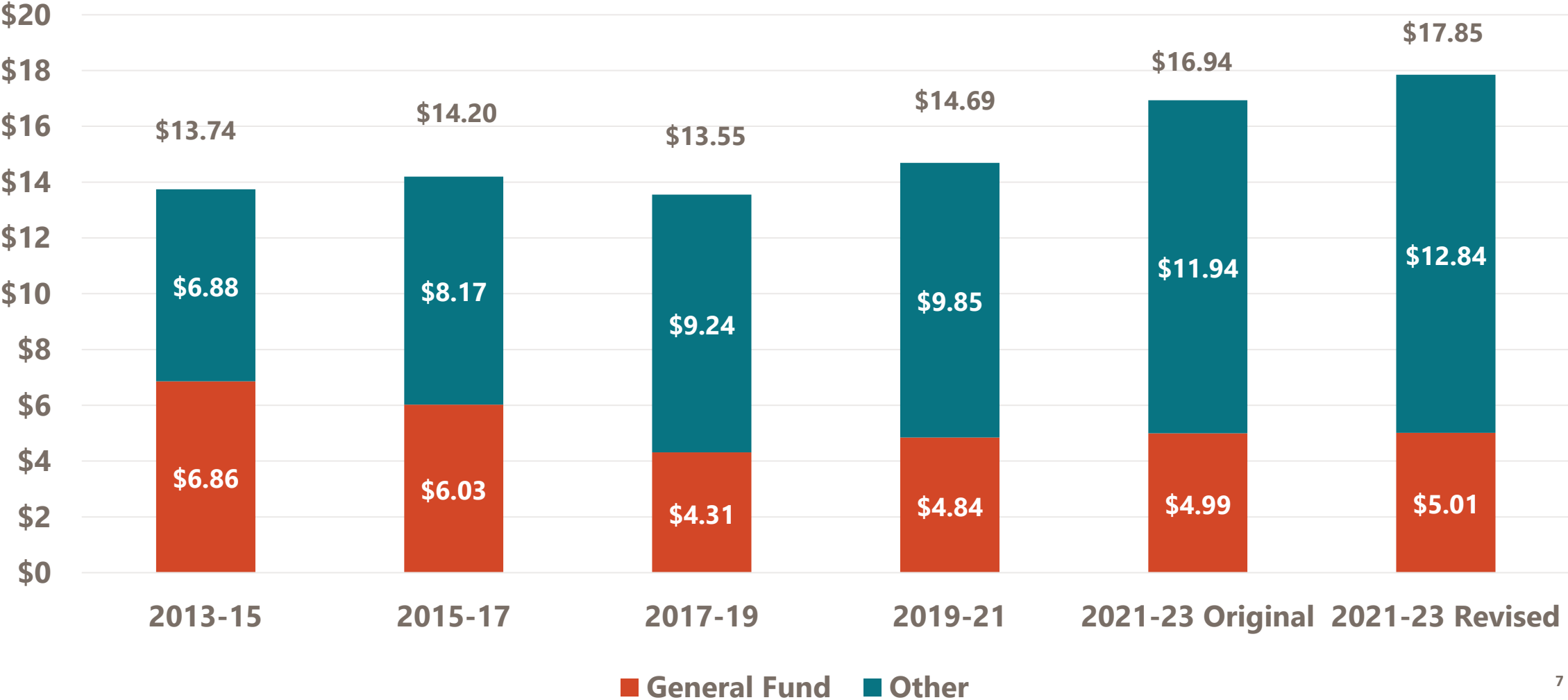
\$4.879 B



TOTAL APPROPRIATION

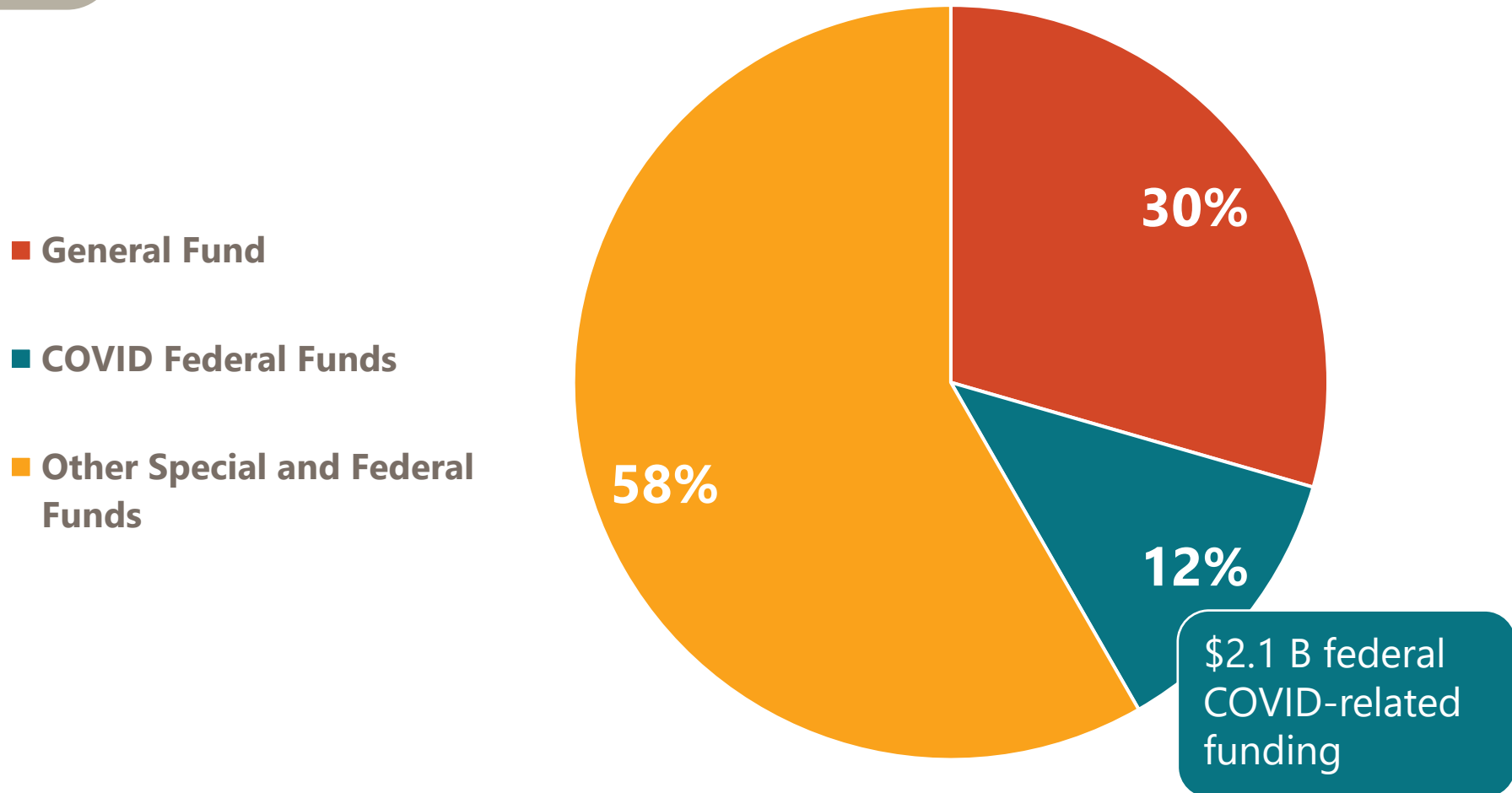
ALL FUNDS – GENERAL AND OTHER

IN BILLIONS



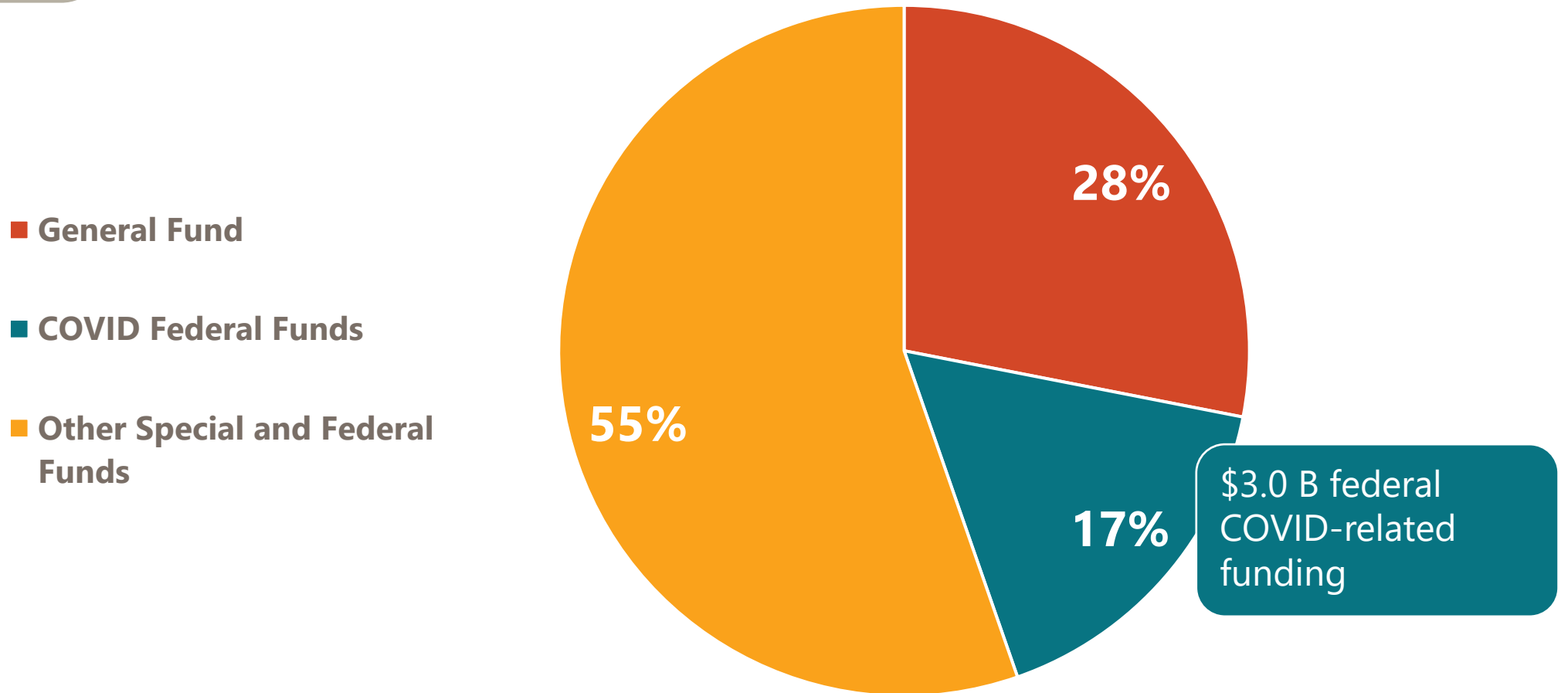
2021-23 TOTAL APPROPRIATED BUDGET

\$16.9 B Total



2021-23 REVISED APPROPRIATED BUDGET

\$17.8 B Total

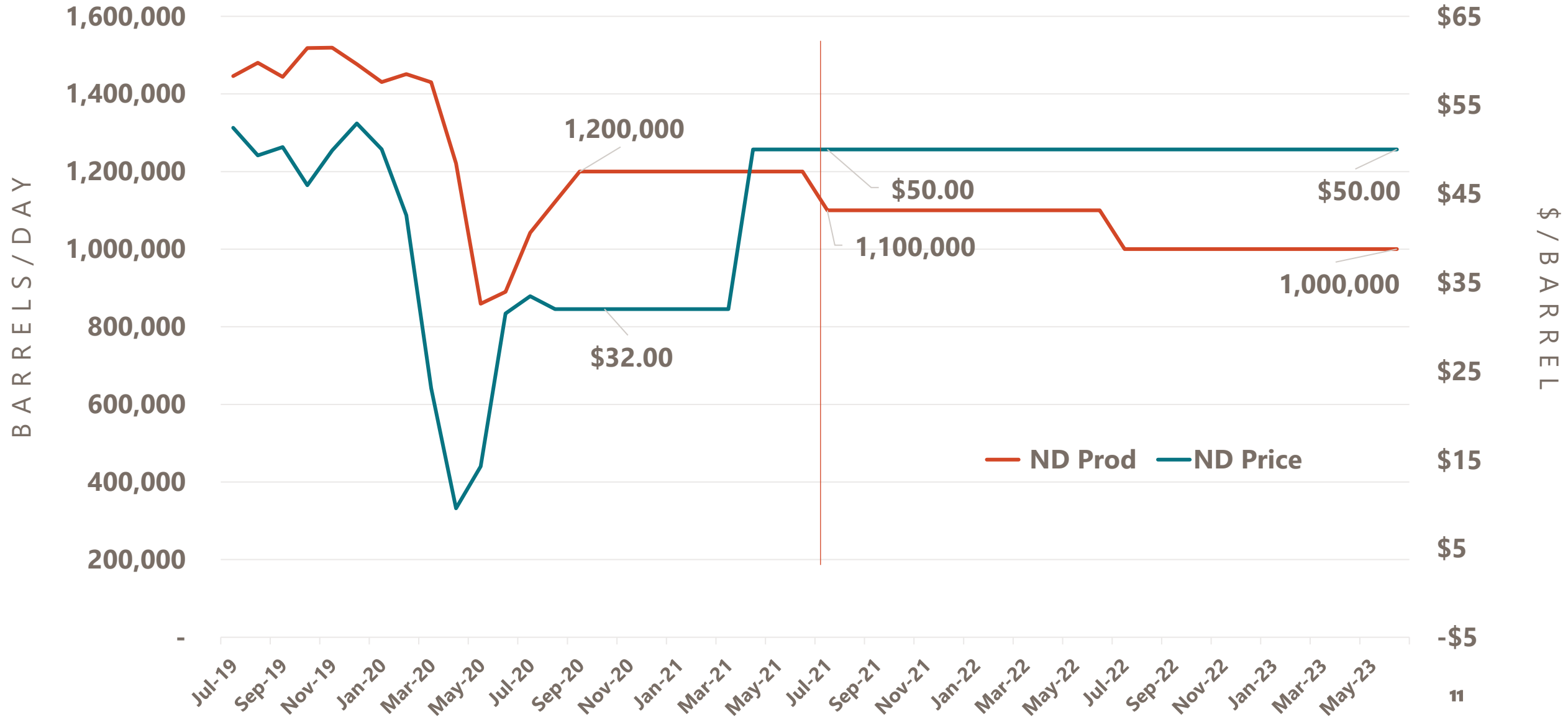


OIL AND GAS TAX PROJECTIONS



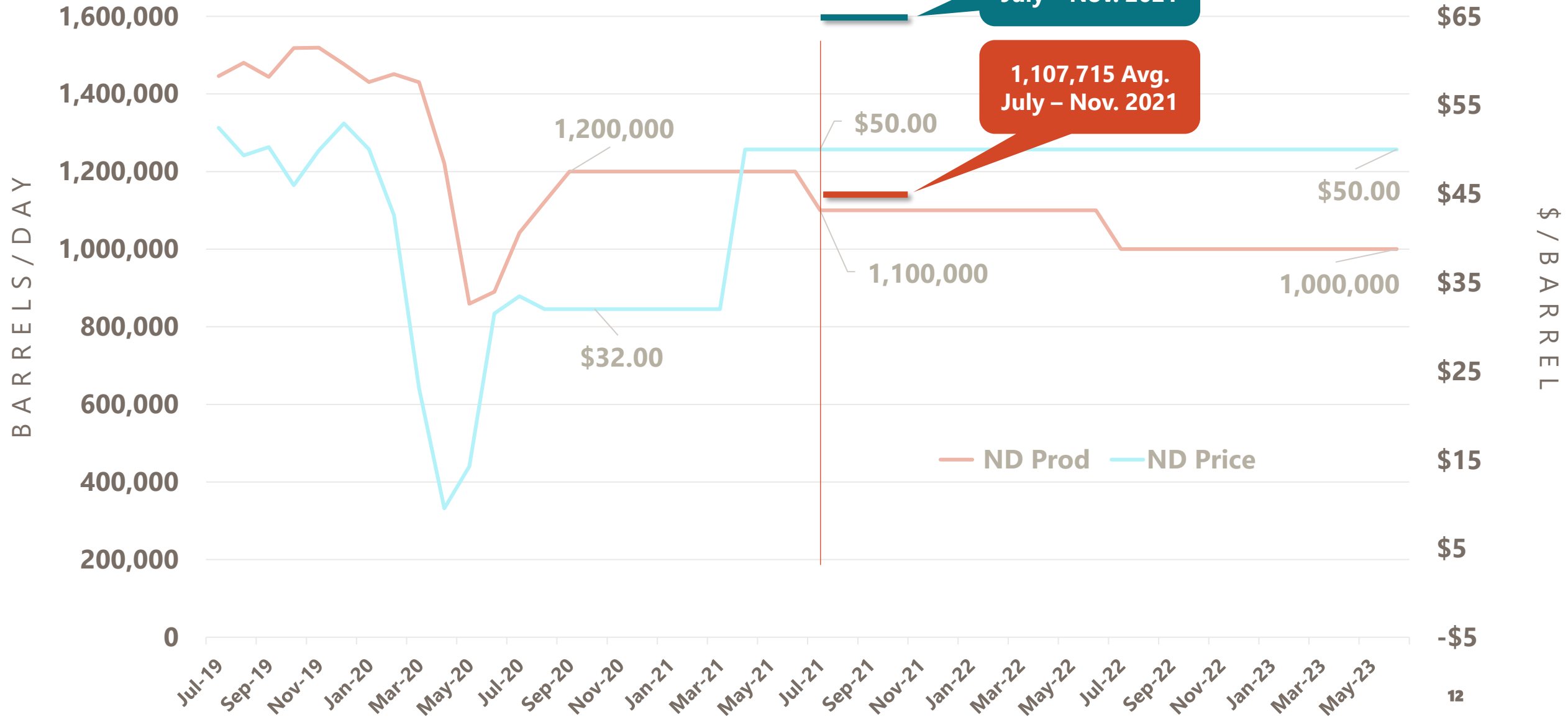
OIL PRICE AND PRODUCTION

2021 LEGISLATIVE FORECAST

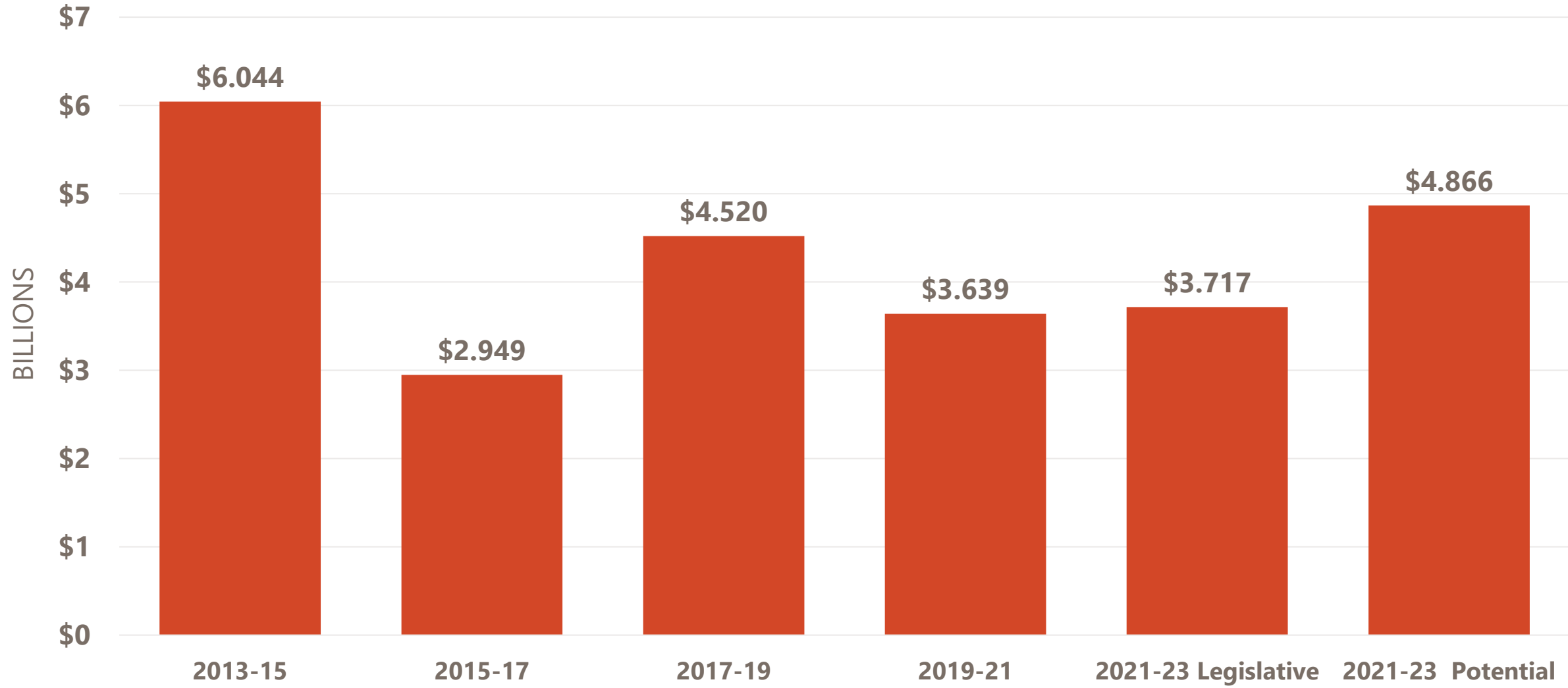


OIL PRICE AND PRODUCTION

2021 LEGISLATIVE FORECAST

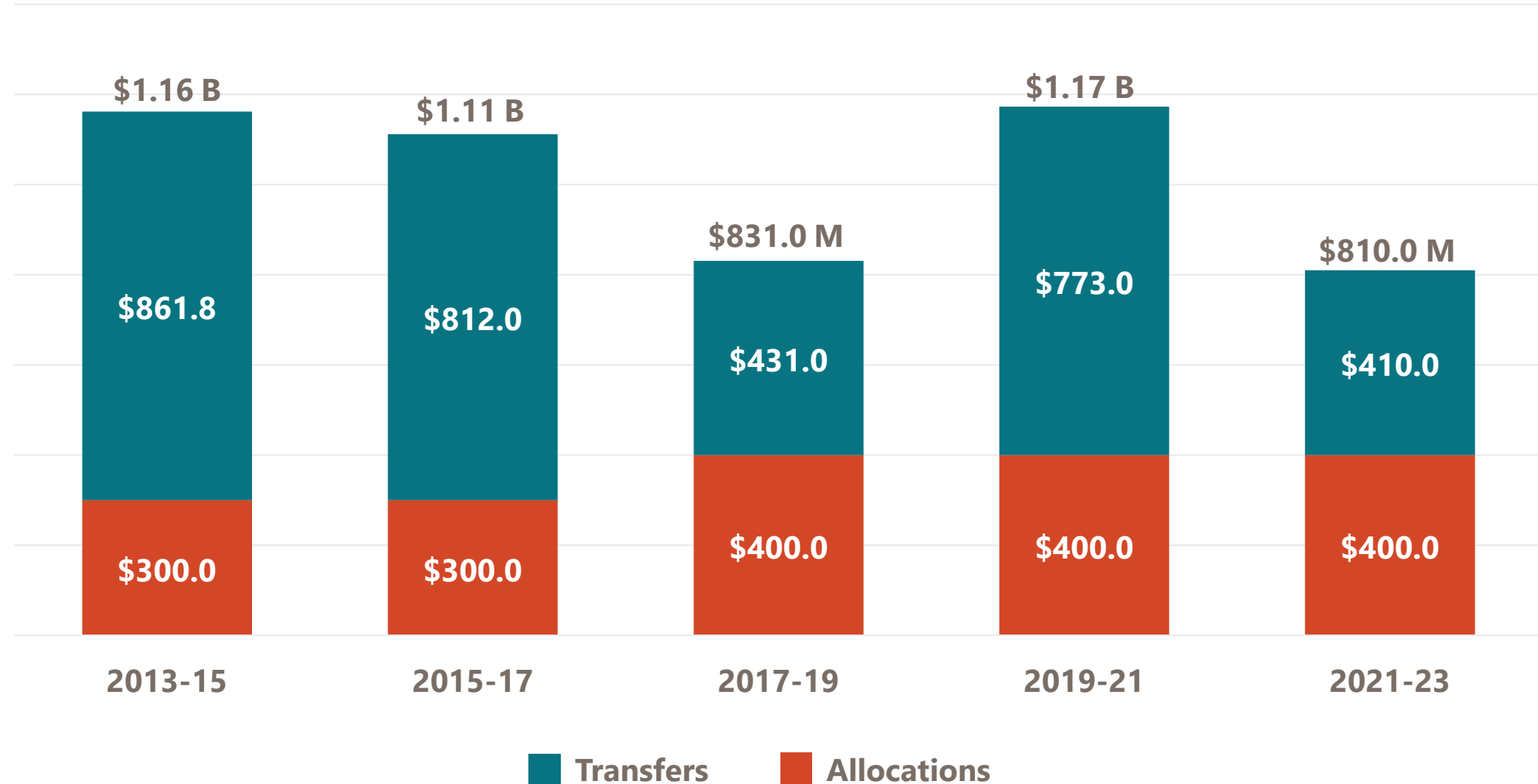


ND OIL TAX REVENUES



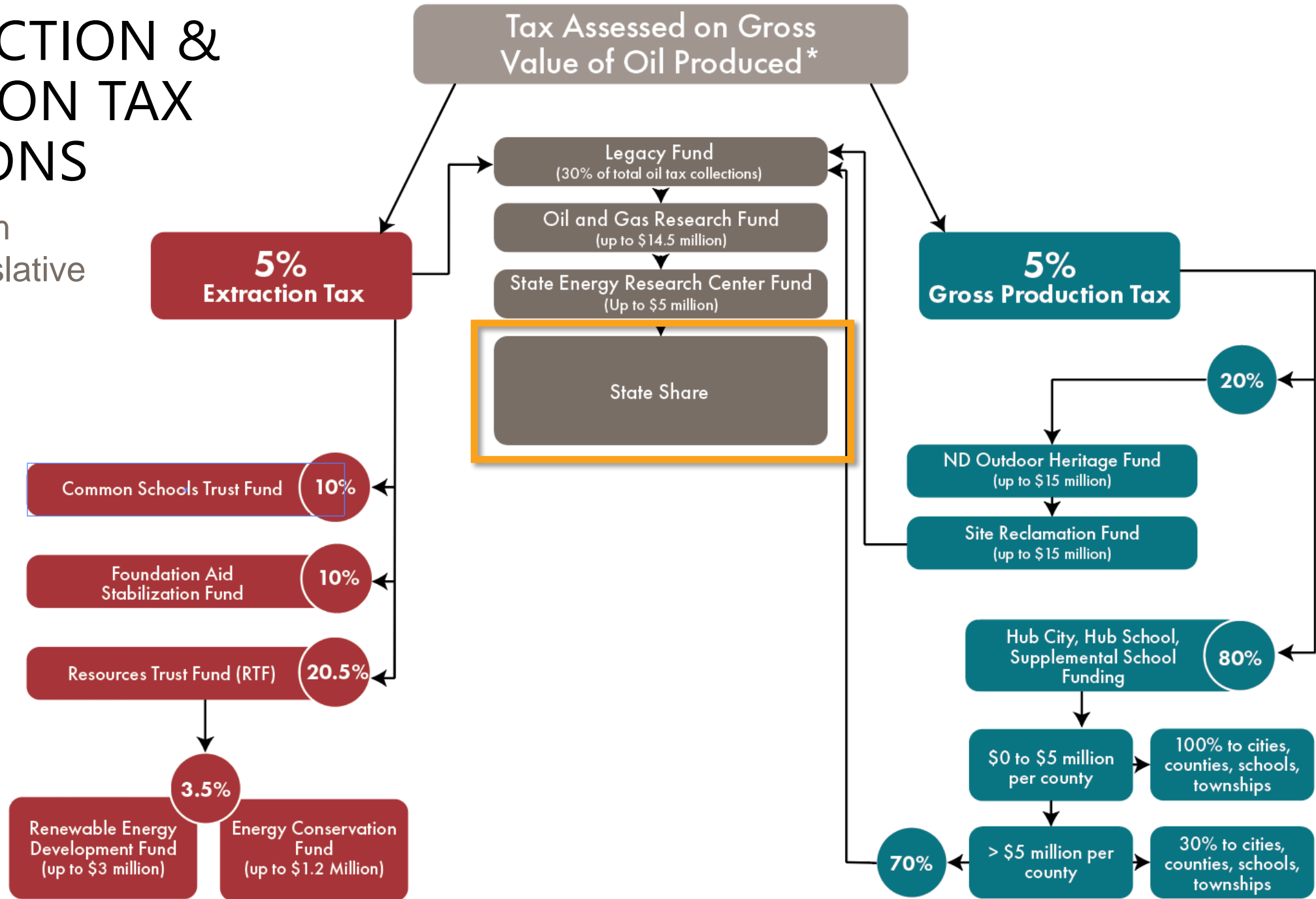
OIL TAX TRANSFERS AND ALLOCATIONS

TO SUPPORT GENERAL FUND BUDGET



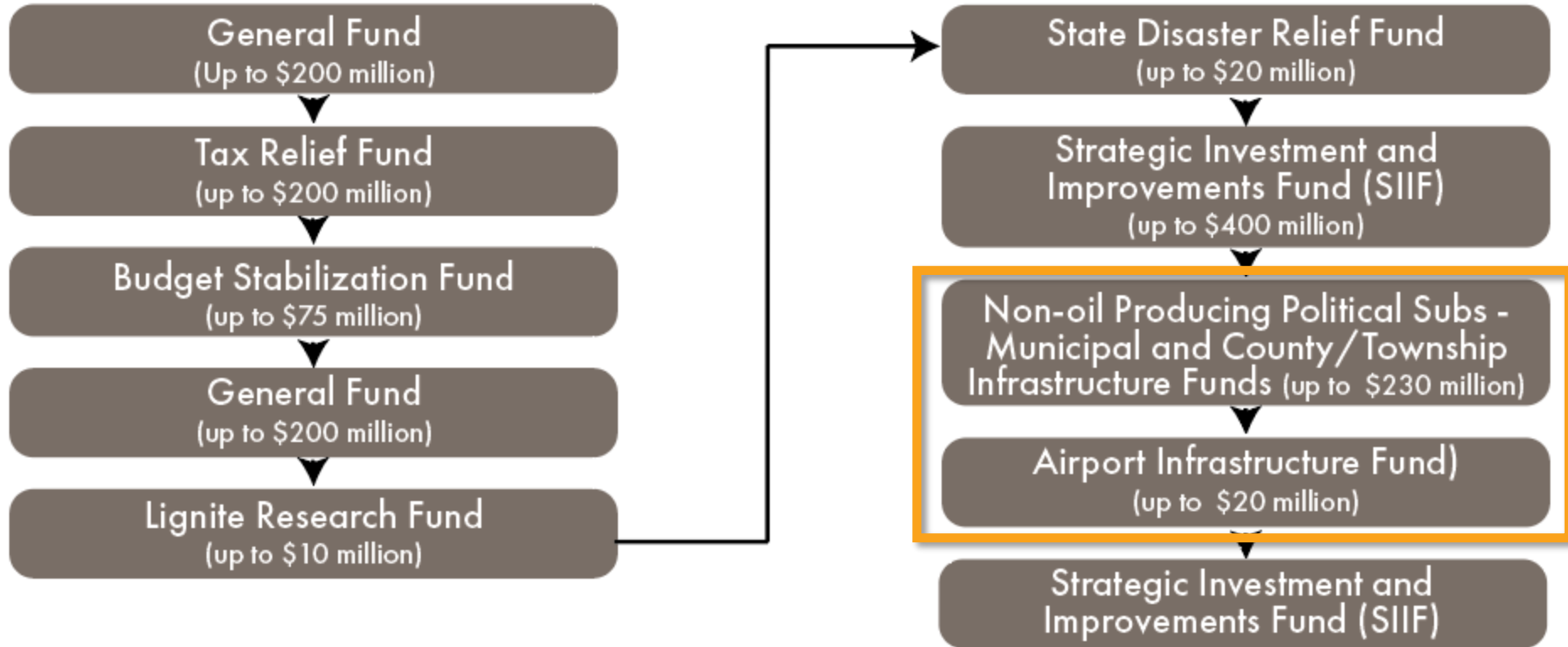
OIL EXTRACTION & PRODUCTION TAX ALLOCATIONS

2021-23 Biennium
March 2021 Legislative Forecast



*Excludes tax allocations to tribes; includes gross production tax assessed on units of natural gas produced

STATE SHARE



POTENTIAL OPD FUNDING

\$250 M at current average price and forecasted production

- Municipal Infrastructure Fund = \$115 M
- County and Township Infrastructure Fund = \$115 M
- Airport Infrastructure Fund = \$20 M

Non-oil Producing Political Subs -
Municipal and County/Township
Infrastructure Funds (up to \$230 million)

Airport Infrastructure Fund)
(up to \$20 million)

Assumptions:

- ND Price: \$65 for 21-23 biennium
- Production: 1.1 M in 2022 and 1.0 M in 2023



LEGACY FUND EARNINGS



HB1380—PLAN FOR LEGACY FUND EARNINGS ALLOCATIONS BASED ON POMV & JUNE 30, 2023 ESTIMATE

Percent of Market Value (POMV) adds predictability and stability to distribution amounts

Actual earnings (as defined in statute) transferred to Legacy earnings fund

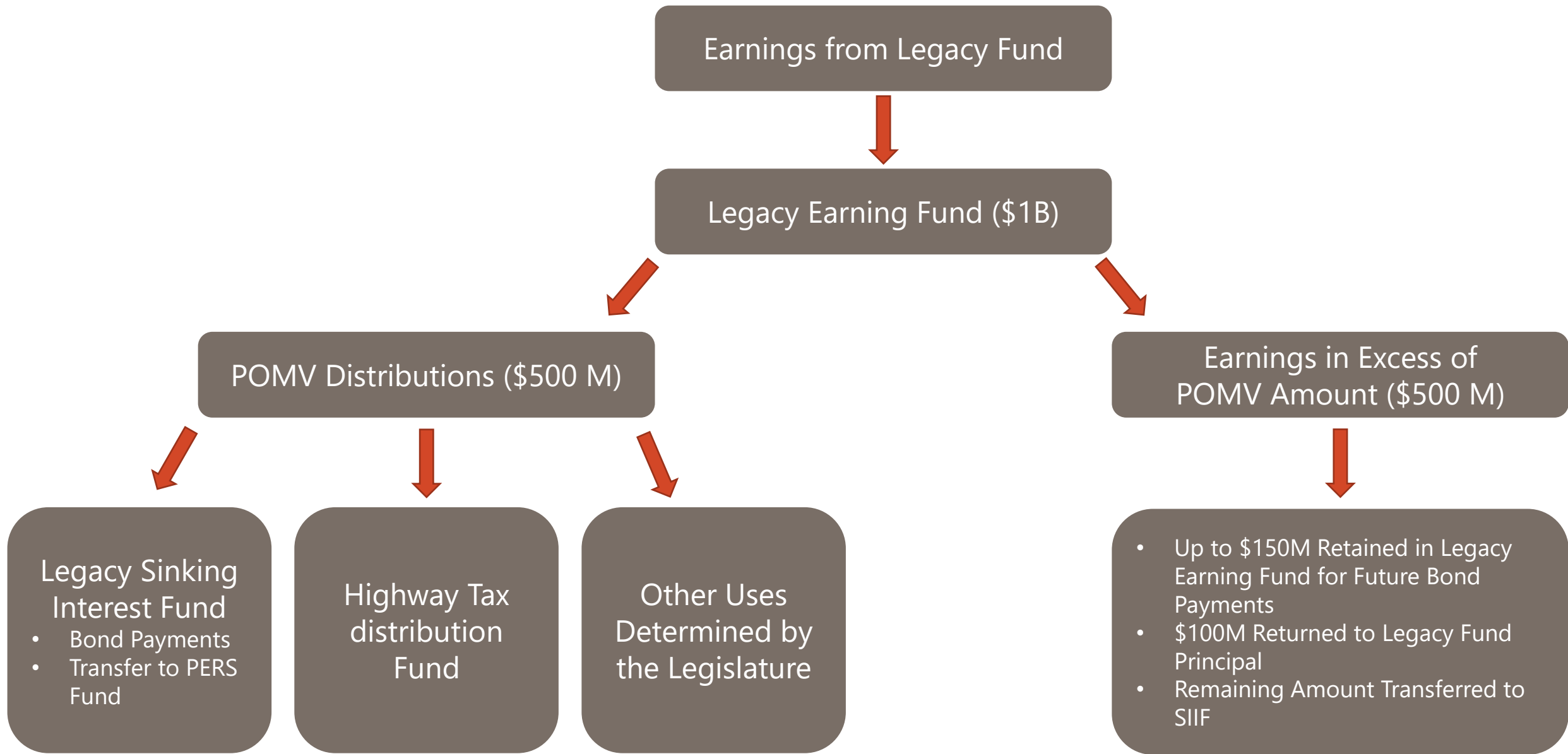
\$900M - \$1B

POMV @ 3.5% per year used to determine amount available for distribution from Legacy earnings fund

\$500M

Difference between actual earnings and POMV distributions

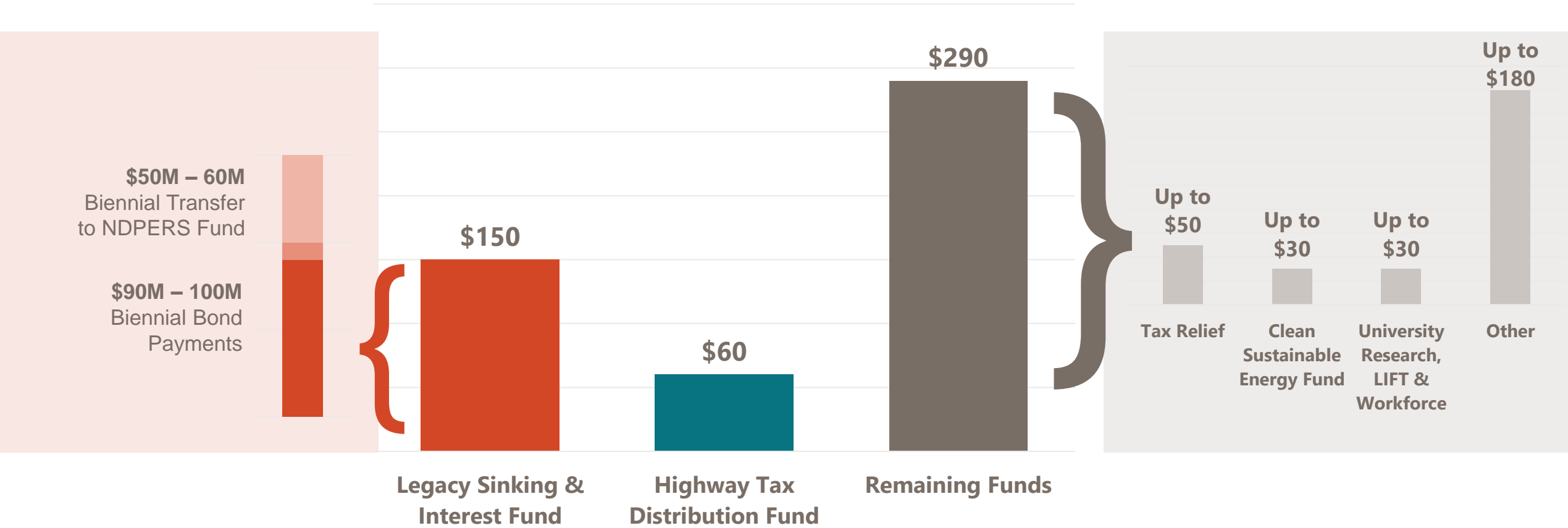
\$400 – 500M



HB1380—PLAN FOR LEGACY FUND EARNINGS

POMV ALLOCATION STRATEGY FROM LEGACY EARNINGS FUND

IN MILLIONS



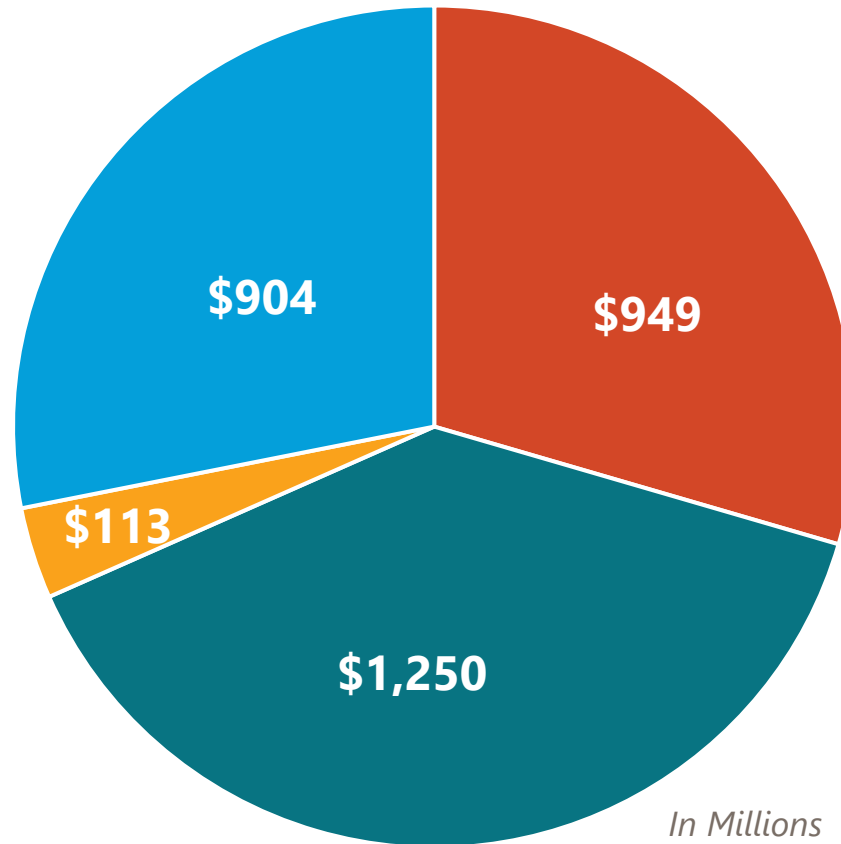
\$500 M estimate for 6/30/2023 earnings to be allocated during 2023-25



American Rescue Plan Act (ARPA)

ARPA FUNDING FOR ND

\$3.2 Billion



■ Program grants

■ State and Local Fiscal Recovery Fund

■ Capital Projects Fund

■ Economic impact payments to individuals

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Guidelines and application

- Guidelines and application process covers both state and local funds that flow through the state
- Application date – May 21

▪ State amount

- \$1,007,502,515 received on May 28, 2021
- Entire allocation received in one payment
- Not spent until appropriated during 2021 Special Session

▪ NEU amount

- \$26,587,487.50 received on June 7, 2021
- Half of NEU allocation of \$53,174,975
- Balance to be received in 2022

NON-ENTITLEMENT UNITS OF LOCAL GOVERNMENT



- Treasury provided list of NEUs
- Includes cities and minor civil divisions (MCDs) that did not receive direct allocations from Treasury
- State required to make population-based distribution to eligible NEUs
- MCD's defined as townships in North Dakota
- Other political subdivisions (park districts, fire protection districts, etc.) are not included by Treasury and are not eligible

STATE DETERMINATION OF MCD ELIGIBILITY

- State required to undertake a facts-and-circumstances test to determine if the MCD:
 - Has the legal and operational capacity to accept ARPA funds, and
 - Provides a broad range of services that would constitute eligible uses under ARPA
- States may “categorically exclude all MCDs if none of them provide the relevant types of services”

CONCLUSION

1. Most townships do not provide “a broad range of services that would constitute eligible uses under ARPA”
2. Most townships have limited operational capacity to accept ARPA funding and comply with the reporting requirements

EXECUTIVE PROPOSAL

1. Allocate all Local Fiscal Relief Fund to NEU cities
2. Allocate a portion of State Fiscal Relief Fund to townships for:
 - Emergency road repairs (\$12.8 M)
 - Federal match to state road funding earmarked for townships (\$10 M in HB1015)

Benefits of Executive Proposal

- Higher allocation for townships
 - Population-based allocation = \$13.5 M
- Allocation based on township need rather than population provides meaningful allocations that will allow projects to be completed
- Allowable uses of ARPA more closely align with city functions (i.e. water and sewer infrastructure)
- Eliminates the reporting requirement for townships
 - State would be prime recipient and handle reporting for SFRF
 - Townships would be prime recipients and responsible for reporting for LFRF allocations

SLFRF - ALLOWABLE USES



Support public health response



Address negative economic impacts caused by the COVID-19 pandemic



Address the disproportionate impacts of COVID-19 on communities and population groups



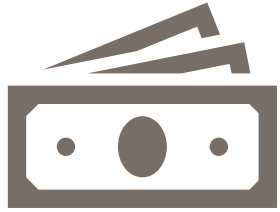
Replace lost public sector revenue



Provide premium pay for essential workers

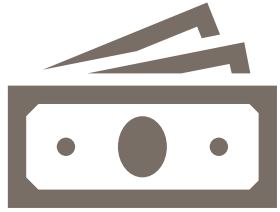


Invest in water, sewer, and broadband



REPLACE LOST PUBLIC SECTOR REVENUE

- Support for government services, up to the amount of lost revenue
- Government services can include:
 - Maintenance of infrastructure or pay-go spending for building new infrastructure, including roads;
 - Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure;
 - Health services;
 - Environmental remediation;
 - School or education services;
 - Provision of police, fire, and other public safety services



REPLACE LOST PUBLIC SECTOR REVENUE

- General revenue includes all taxes and fees; excludes debt proceeds, sale of investments, federal funds
- Measured against base year of fiscal year 2019 compared to 12 months ended December 31, 2020 adjusted for assumed rate of growth
- Revenue Reduction Formula =
FY2019 Actual Revenue * (1+Growth Adjustment)^(18/12) – Actual Calendar Year 2020 Gen Fund Revenue

\$1.882 Billion loss for ND compared to allocation of \$1.008 Billion

INELIGIBLE USES



Offset a reduction in the net tax revenue resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.

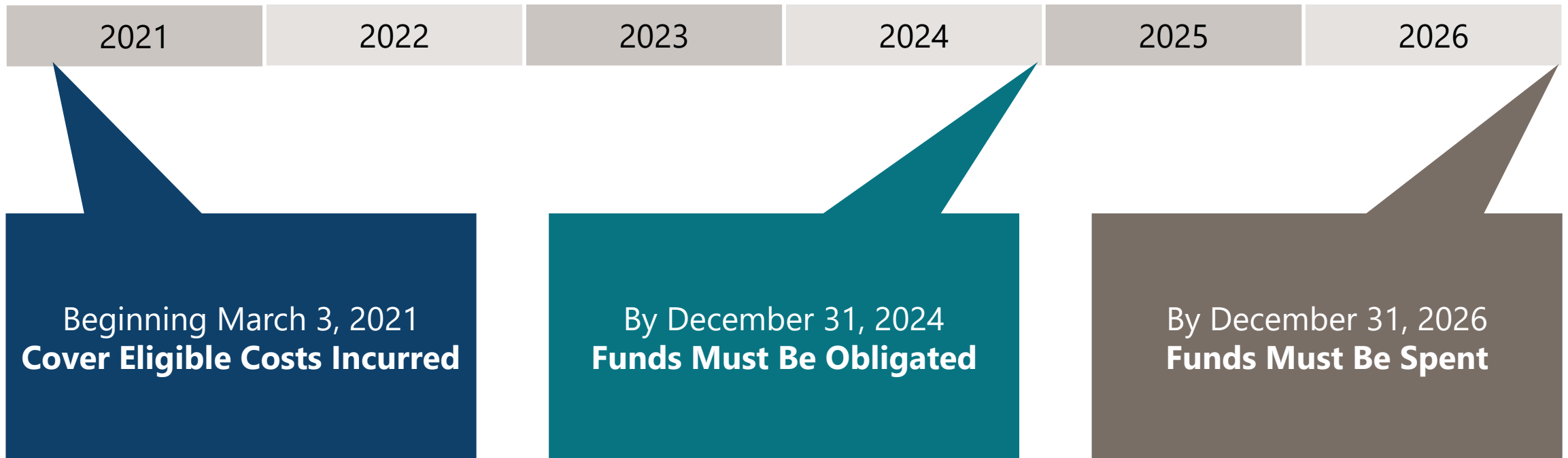


Deposit into any pension fund.

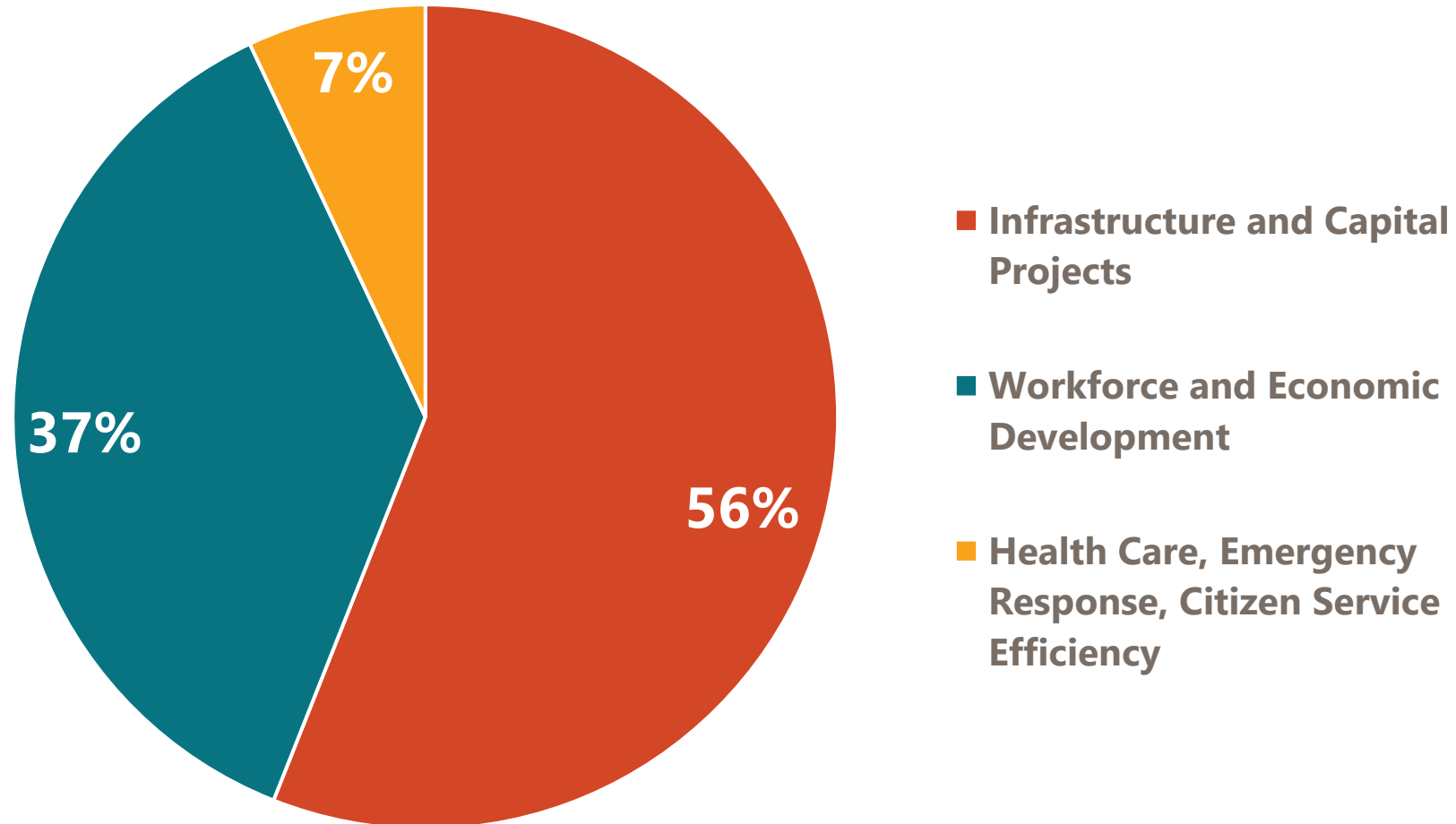


Deposit into a budget stabilization fund.

TIMEFRAME



ARPA APPROPRIATION - \$1.06 B



TOWNSHIP ARPA FUNDING

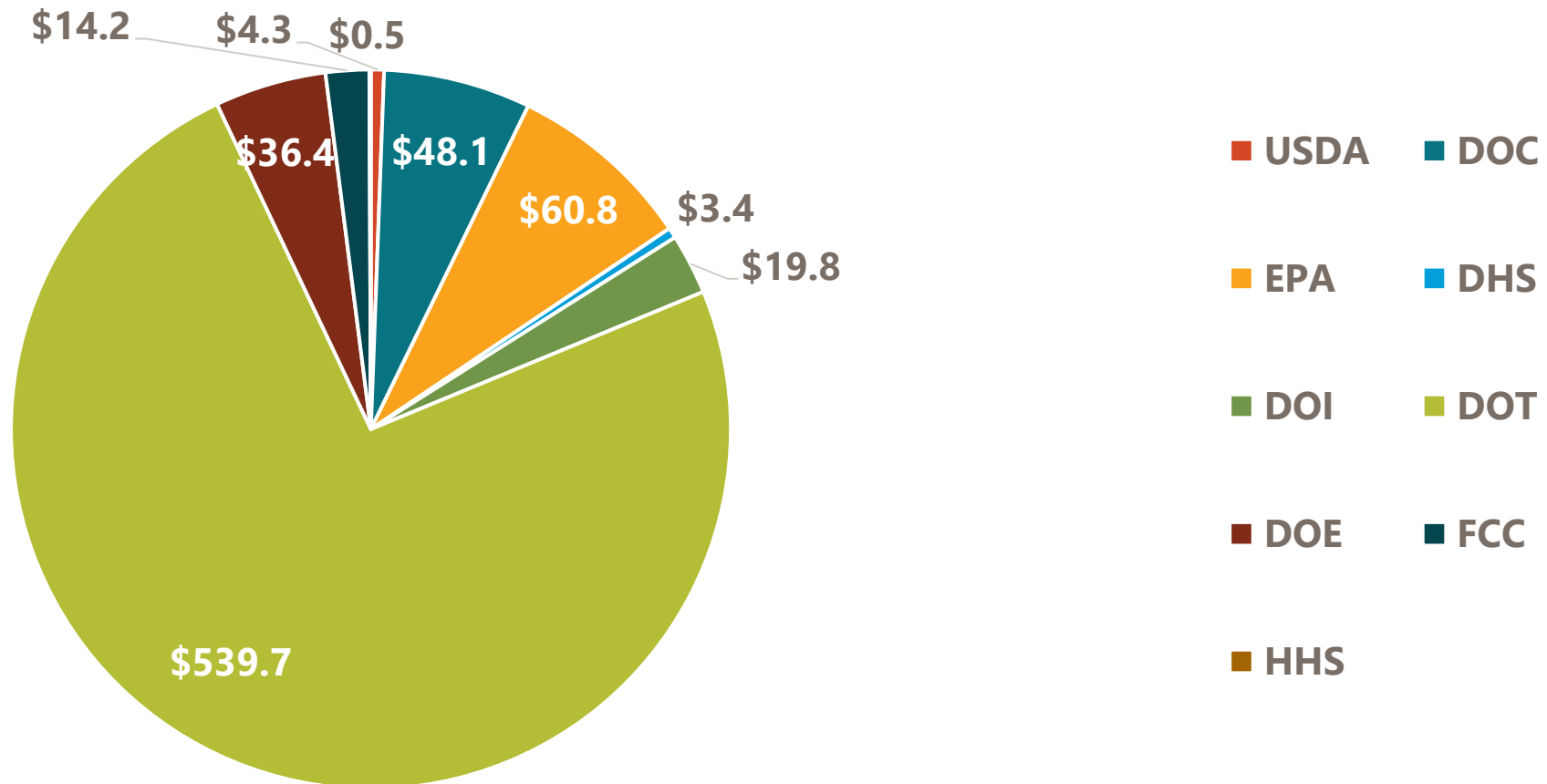
- HB1505 - \$17 M
 - Distributed to townships in non-oil producing counties in Jan. 2022
 - Non-oil producing counties defined as those with oil production tax revenue < \$5 M in FY2020
 - \$8.5 M distributed equally
 - Approximately \$5,208 per township
 - \$8.5 million distributed on the basis of road miles
 - Approximately \$182 per mile
 - Must be used for maintenance and improvement of township paved and unpaved roads and bridges

INFRASTRUCTURE INVESTMENT AND JOBS ACT



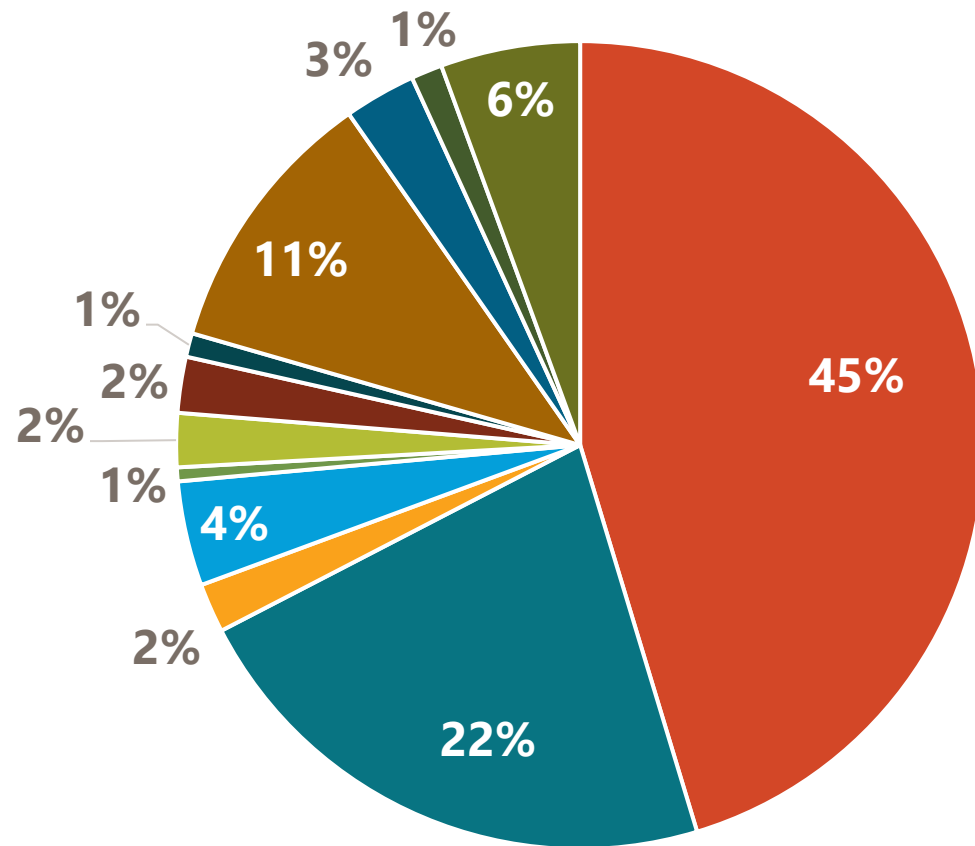
INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA)

\$727.3 Billion FY2022-2026



ND ALLOCATIONS OF TRANSPORTATION FUNDING FROM IIJA

\$2.077 Billion FY2022 - 2026



- National highway performance
- Surface transportation block grant
- Carbon reduction
- Highway safety
- Metro trans planning
- National highway freight
- PROTECT
- Railway crossings
- Bridge investment
- Congestion mitigation
- National electric vehicle formula
- Transit formula grants

SUMMARY OF TOWNSHIP SUPPORT 2021-23 BIENNIUM - \$86.25 M

- **Emergency road repairs** - \$750,000 - SB2012 – DOT
- **Oil and gas gross production tax** - \$17.5 M (based on official forecast)
- **Highway tax distribution fund** (2.7% of HTDF revenues) - \$15 M
- **Operation Prairie Dog** - \$16 M
- **Non-oil producing township allocations** - \$20 M - HB1015 – Treasurer – August 2021
- **Non-oil producing township allocations** - \$17 M - HB1505 – ARPA funding – Treasurer – January 2022