

# North Dakota

## Federal Policies Have Cost North Dakota \$318 Million over the Past Four Years

### Federal Policies Affect North Dakota Revenue and Spending Levels, 2002-2005

Cost to  
North Dakota

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$63 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$119 million
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$0
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$162 million
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$45 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$71 million)
	<b>TOTAL COST (net of fiscal relief), 2002-2005:</b>	<b>\$318 million</b>

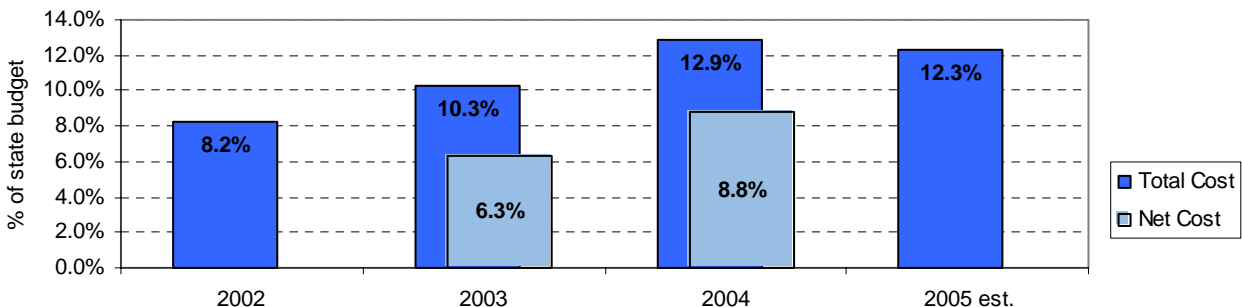
### North Dakota Has Been More Affected by Federal Policies than Most States

Ranking among 50  
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	<b>11.0%</b>	<b>14<sup>th</sup></b>
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	<b>9.0%</b>	<b>16<sup>th</sup></b>

North Dakota has been affected heavily by federal policy in part because it is the state most reliant on federal funds to support state programs. States that are more reliant on federal funds are disproportionately affected by the failure of the federal government to fund mandates and prescription drug costs adequately. North Dakota has also failed to decouple from recent federal tax changes that have reduced state tax revenue significantly.

### Net Cost of Federal Policy to North Dakota as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.