

# Status of the General Fund

## Presented to the Budget Section

**September 22, 2010**





## ECONOMIC INDICATORS

### National

**Consumer Prices** - The 12-month percent change in the non-seasonally adjusted consumer price index (CPI), as reported by the Bureau of Labor Statistics, was 1.2% in July 2010, the ninth consecutive month of positive change. For calendar year 2009, the CPI declined by .4 percent after declining for eight consecutive months from March through October. According to *Moody's Economy.com*, the CPI is expected to exhibit more normal growth in the longer term forecast, increasing by 1.5% in 2010, 1.9% in 2011, and around 3.0% in 2012 and 2013.

**Money Markets** - The average yield on a three-month Treasury bill during the second quarter of 2010 was .15%, a 4 basis point increase from the previous quarter. *Economy.com* believes that three month T-bill rates bottomed out in the fourth quarter of 2009 and will continue on a gradual climb, averaging .14% in 2010, .45% in 2011, 2.04% in 2012, and around 4.0% in 2013 and 2014. *Economy.com* predicts that the prime rate, which has remained flat at 3.25% since 2009, will slip to close to 3.0% in the coming months before trending upward. Their forecast provides for a steady increase to 3.3% in 2011, 5.0% in 2012, and around 7.0% in 2013 and 2014.

**Personal Income** - Personal income, as reported by *Economy.com* in inflation adjusted 2005 dollars, fell 1.9% during 2009. Current data show the decline continued into first quarter 2010, with a .2% decline. Second quarter 2010 showed modest growth of .4%. The forecast shows average personal income growth of 1.0% for 2010, followed by 2.7%, 4.4%, and 4.7% in 2011 through 2013, respectively.

**Commodity Prices** - Agricultural prices fell by an average of 12% during 2009, 11% for crops and 15% for livestock. However, the outlook is positive. Average farm prices are expected to increase by around 7% in 2010, followed by increases of 2.6% to 3.1% through 2013. The outlook for West Texas Intermediate crude, the benchmark forecast for *Moody's Economy.com*, is continued growth from the \$62 per barrel average for 2009, to \$80 in 2010, \$87 in 2011, and stabilizing at around \$90 through 2014.

### Local

**Unemployment** - North Dakota's non-seasonally adjusted unemployment rate in July 2010 was only 3.5%, down from the June rate of 4.0%. This continues to be considerably lower than the national rate of 9.7% in July 2010, which was unchanged from the national rate one year ago.

**Energy** - The legislative forecast for the 2009-11 biennium is based on oil production increasing from 205,000 barrels per day to 225,000 barrels per day. Price is projected to increase gradually from \$40 per barrel to \$55 per barrel. Currently, the price of North Dakota crude is around \$70 per barrel. Production jumped to a new all time record in July at over 320,000 barrels per day. The current rig count is 141, a 70% increase since January. Price, production, and drilling activity are summarized on the following table:

	<b>July 2010</b>	<b>June 2010</b>	<b>May 2010</b>
ND sweet crude price per barrel	\$67.35	\$63.14	\$60.10
Production (barrels/day)	321,000	314,500	298,000
Drilling permits	145	128	102
Producing wells	5,051	4,977	4,893
Rig count	135	125	115

**Mortgage Rates** - Mortgage rates have dipped even lower. Current thirty-year fixed rate mortgages are available locally for 4.25% to 4.5%. Fifteen-year fixed rates are between 3.5% and 3.75%.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2009-11 Biennium**  
**August 2010**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	55,227,000	61,853,228	6,626,228	12.0%	664,425,000	663,634,379	(790,621)	-0.1%
Motor Vehicle Excise Tax	4,070,000	5,901,013	1,831,013	45.0%	47,209,000	66,650,403	19,441,403	41.2%
Individual Income Tax	11,209,000	21,573,206	10,364,206	92.5%	371,224,000	355,032,259	(16,191,741)	-4.4%
Corporate Income Tax		797,860	797,860	100.0%	120,164,000	89,052,600	(31,111,400)	-25.9%
Insurance Premium Tax	3,500,000	3,859,199	359,199	10.3%	35,135,000	35,171,156	36,156	0.1%
Financial Institutions Tax		255,040	255,040	100.0%	4,750,000	3,141,880	(1,608,120)	-33.9%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,380,047	1,564,000	183,953	13.3%	10,292,445	9,869,816	(422,629)	-4.1%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	2,080,000	2,159,769	79,769	3.8%	27,042,000	26,615,062	(426,938)	-1.6%
Wholesale Liquor Tax	596,000	647,839	51,839	8.7%	7,967,000	8,775,079	808,079	10.1%
Coal Conversion Tax	1,922,000	1,467,400	(454,600)	-23.7%	24,245,000	22,581,269	(1,663,731)	-6.9%
Mineral Leasing Fees	2,000,000	1,299,466	(700,534)	-35.0%	14,200,000	10,768,527	(3,431,473)	-24.2%
Departmental Collections	2,050,106	1,395,004	(655,102)	-32.0%	33,864,823	35,693,596	1,828,773	5.4%
Interest Income	819,677	783,719	(35,958)	-4.4%	14,021,316	24,459,059	10,437,743	74.4%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers					805,000	1,924,678	1,119,678	139.1%
<b>Total Revenues and Transfers</b>	<b>84,853,830</b>	<b>103,556,744</b>	<b>18,702,914</b>	<b>22.0%</b>	<b>1,749,290,002</b>	<b>1,730,730,218</b>	<b>(18,559,784)</b>	<b>-1.1%</b>

\* Oil and gas production and extraction tax collections totaled \$43.5 million in August. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through August, oil tax collections totaling \$354.8 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.



**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Previous Biennium Revenues**  
**2009-11 Biennium**  
**August 2010**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	August 2008	August 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	44,729,522	61,853,228	17,123,706	38.3%	586,156,563	663,634,379	77,477,816	13.2%
Motor Vehicle Excise Tax	6,006,383	5,901,013	(105,370)	-1.8%	79,019,314	66,650,403	(12,368,911)	-15.7%
Individual Income Tax	2,771,929	21,573,206	18,801,277	678.3%	343,087,453	355,032,259	11,944,805	3.5%
Corporate Income Tax	672,775	797,860	125,085	18.6%	142,360,920	89,052,600	(53,308,320)	-37.4%
Insurance Premium Tax	3,433,413	3,859,199	425,786	12.4%	37,026,541	35,171,156	(1,855,385)	-5.0%
Financial Institutions Tax	9	255,040	255,031	100.0%	6,499,166	3,141,880	(3,357,287)	-51.7%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,646,462	1,564,000	(82,462)	-5.0%	12,279,383	9,869,816	(2,409,568)	-19.6%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	2,079,719	2,159,769	80,050	3.8%	26,722,954	26,615,062	(107,893)	-0.4%
Wholesale Liquor Tax	698,304	647,839	(50,465)	-7.2%	8,235,454	8,775,079	539,625	6.6%
Coal Conversion Tax	2,152,806	1,467,400	(685,407)	-31.8%	28,072,958	22,581,269	(5,491,689)	-19.6%
Mineral Leasing Fees	3,543,570	1,299,466	(2,244,105)	-63.3%	15,266,224	10,768,527	(4,497,697)	-29.5%
Departmental Collections	1,329,280	1,395,004	65,723	4.9%	32,461,661	35,693,596	3,231,935	10.0%
Interest Income	1,502,929	783,719	(719,210)	-47.9%	25,708,959	24,459,059	(1,249,900)	-4.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	6,279	0	(6,279)	-100.0%	846,216	1,924,678	1,078,462	127.4%
<b>Total Revenues and Transfers</b>	<b>70,573,382</b>	<b>103,556,744</b>	<b>32,983,362</b>	<b>46.7%</b>	<b>1,535,043,766</b>	<b>1,730,730,218</b>	<b>195,686,451</b>	<b>12.7%</b>

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# PRELIMINARY REVENUE FORECAST

## OFFICE OF MANAGEMENT & BUDGET

	2009-11			2011-13	
	2009 Legislative Forecast	Revised Forecast	Change	Preliminary Forecast	Change from 2009-11 Revised Forecast
Sales and Use Tax	\$1,109,974,800	\$1,168,224,326	\$58,249,526	\$1,328,915,000	\$160,690,674
Motor Vehicle Excise Tax *	86,978,250	119,416,899	32,438,649	132,404,250	12,987,351
Individual Income Tax	655,508,000	615,311,335	(40,196,665)	667,220,000	51,908,665
Corporate Income Tax	239,110,000	180,183,592	(58,926,408)	194,330,000	14,146,408
Insurance Premium Tax	66,000,000	65,617,315	(382,685)	70,900,000	5,282,685
Financial Inst. Tax	9,500,000	6,330,665	(3,169,335)	8,500,000	2,169,335
Oil & Gas Production Tax	39,309,315	32,718,333	(6,590,982)	31,700,000	(1,018,333)
Oil Extraction Tax	31,690,685	38,281,667	6,590,982	39,300,000	1,018,333
Gaming	16,799,316	16,165,195	(634,121)	16,038,675	(126,520)
Lottery	11,155,000	11,155,000	0	11,000,000	(155,000)
Cigarette and Tobacco Tax	45,428,000	44,689,315	(738,685)	43,252,000	(1,437,315)
Wholesale Liquor Tax	13,644,000	14,580,872	936,872	14,662,000	81,128
Coal Conversion Tax	45,005,000	42,687,869	(2,317,131)	40,038,000	(2,649,869)
Mineral Leasing Fees	22,715,000	18,533,904	(4,181,096)	22,500,000	3,966,096
Departmental Collections	60,961,920	63,991,948	3,030,028	64,000,000	8,052
Interest	27,000,000	44,800,448	17,800,448	34,000,000	(10,800,448)
Revenues Before Transfers	\$2,480,779,286	\$2,482,688,684	\$1,909,398	\$2,718,759,925	\$236,071,241

\* 2011-13 motor vehicle excise tax amount is reduced by 25% for comparison to 2009-11 (2009 SB2012 provides for the allocation of 25% of motor vehicle excise taxes to the highway fund during the 2009-11 biennium only)

**GENERAL FUND STATUS STATEMENT**  
**2009-11 BIENNIUM**  
**BASED ON THE SEPTEMBER 2010 PRELIMINARY FORECAST**

Beginning balance:		
Beginning unobligated balance - July 1, 2009	\$361,843,514	
Balance obligated for authorized carryover	<u>76,383,530</u>	
Total beginning balance		\$438,227,044
Revenues:		
Based on preliminary forecast		<u>2,964,724,737</u>
Total available		\$3,402,951,781
Expenditures:		
Original appropriations - One time	(\$278,984,727)	
Original appropriations - Ongoing	(2,970,380,754)	
Contingent appropriation - Centers of Excellence (SB2018)	(5,000,000)	
Authorized carryover	(76,383,530)	
Estimated deficiency requests *	<u>(6,101,902)</u>	
Estimated expenditures		<u>(3,336,850,913)</u>
Estimated ending balance - June 30, 2011		<u>\$66,100,868</u>
* Tax Department - \$1,810,000; DPI - \$4,233,000, VCSU - \$58,902		

**PERMANENT OIL TAX TRUST FUND STATUS STATEMENT**  
**2009-11 BIENNIUM**  
**BASED ON THE SEPTEMBER 2010 PRELIMINARY FORECAST**

Beginning balance - July 1, 2009		\$489,727,017
Revenues:		
Actual fiscal year 2010	\$311,333,857	
Remaining forecasted revenues - Preliminary forecast	<u>574,928,000</u>	
Total revenues		<u>886,261,857</u>
Total available		\$1,375,988,874
Appropriations and transfers:		
Transfer to general fund	(\$140,000,000)	
Transfer to general fund - Mill levy reduction program	(295,000,000)	
Transfer to property tax sustainability fund	(295,000,000)	
Other appropriations	<u>(16,175,100)</u>	
Total appropriations and transfers		<u>(746,175,100)</u>
Estimated ending balance - June 30, 2011		<u>\$629,813,774</u>



**OIL PRICE AND PRODUCTION ASSUMPTIONS  
AND RELATED TAX REVENUE ALLOCATIONS  
FISCAL YEARS 2010 THROUGH 2013 (BASED ON THE SEPT. 2010 PRELIMINARY FORECAST)**

	Actual Fiscal Year 2010	Estimated Fiscal Year 2011	Total 2009-11	Estimated Fiscal Year 2012	Estimated Fiscal Year 2013	Total 2011-13
Average price per barrel	\$65.98	\$67.00		\$72.00	\$75.00	
Average monthly production (BOPD)	258,171	366,250				
Production range	227,880-314,481	315,000-390,000		390,000-405,000	405,000-425,000	
Estimated oil revenue allocations (in millions) *						
Counties, cities, schools	\$68.6	\$99.8	\$168.4	\$118.4	\$128.7	\$247.1
Resources trust fund	54.8	82.1	136.9	95.6	104.2	199.8
Common schools trust fund	27.4	41.1	68.5	48.1	52.1	100.2
Foundation aid stabilization fund	27.4	41.1	68.5	48.1	52.1	100.2
Oil and gas research fund	4.0	0.0	4.0	4.0	0.0	4.0
Oil and gas impact fund	8.0	0.0	8.0	8.0	0.0	8.0
General fund	71.0	0.0	71.0	71.0	0.0	71.0
Permanent oil tax trust fund	311.3	574.9	886.2	291.8	406.1	697.9
Legacy fund (if approved)				293.6	319.4	612.9
Total estimated state oil tax revenue (in millions) *	<u>\$572.5</u>	<u>\$839.0</u>	<u>\$1,411.5</u>	<u>\$978.5</u>	<u>\$1,062.6</u>	<u>\$2,041.1</u>

\* Excludes revenue sharing allocations to tribal governments

**N.D.C.C. 54-14-03.1**  
**Fiscal Irregularities**

May – July 2010

**Pay Adjustment**

**June 2010**

**253 ND Vision Services/School for the Blind**

**Kenneth Dockter**

**\$2,306.61**

**Linda Kraft**

**\$2,840.00**

**Lanna Slaby**

**\$2,407.30**

Additional work in June for teachers at the School for the Blind outside of their  
nine month teaching contract.