

Status of the General Fund

Presented to the
Budget Section

June 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 2.2% in April 2010, the sixth 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 1.8% during 2010, followed by increases between 2.2% and 3.1% through 2014.

Money Markets – The average yield on a three-month Treasury bill during the first quarter of 2010 was only .11%, but reflected a 5 basis point increase from the previous quarter. *Economy.com* predicts that three month T-bill rates bottomed out in the fourth quarter of 2009 and will begin a gradual climb, averaging .19% in 2010, 1.50% in 2011 and between 3.50% and 3.80% from 2012 through 2014. The prime rate averaged 3.25% during all 2009 and first quarter 2010. *Economy.com* predicts that the prime rate will bottom out in the second quarter of 2010 at 3.16%, and then creep upward throughout 2010, averaging 3.20% for the year. In the longer term forecast, the prime rate is predicted to average 4.60% for 2011 and around 7.0% from 2012 through 2014.

Personal Income – Personal income, as reported by *Economy.com* in inflation adjusted 2005 dollars, fell 1.9% during 2009, following a decline of .4% during calendar year 2008. First quarter 2010 showed modest growth of .2%. The forecast shows personal income remaining flat during the second quarter of 2010, but then growing by between 1.3% and 1.6% through first quarter 2011. The longer term outlook is more positive with growth predicted to average between 2.8% and 4.9% through 2014.

Commodity Prices [✱] Agricultural prices fell by an average of 12% during 2009, 11% for crops and 15% for livestock. However, the outlook is positive, with modest price increases. Average farm prices are expected to increase by over 6% in 2010, followed by increases of 2.4% to 3.1% through 2014. 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 April 2010 was only 3.8%, down from the March rate of 4.9%. This continues to be considerably lower than the national rate, which was 9.5% in April.

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 \$65 per barrel. Production jumped to a new all time record in March. The current rig count is 129, compared to only 41 operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	April 2010	March 2010	February 2010
ND sweet crude price per barrel	\$71.26	\$71.20	\$67.58
Production (barrels/day)	284,300	277,300	261,200
Drilling permits	106	120	94
Producing wells	4,810	4,736	4,655
Rig count	107	102	93

Mortgage Rates – Mortgage rates remain nearly unchanged. Current thirty-year fixed rate mortgages are available locally for 4.650% to 4.750%. Fifteen-year fixed rates are between 4.125% and 4.250%.

**GENERAL FUND STATUS STATEMENT
2009-11 BIENNIUM
AS OF MAY 31, 2010**

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:		
Revenues collected to date	\$1,410,331,101	
Remaining forecast adjusted for \$71 million oil tax cap	<u>1,498,901,687</u>	
Total revenues		<u>2,909,232,788</u>
Total available		\$3,347,459,832
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 request (homestead tax credit)	<u>(1,391,000)</u>	
Estimated expenditures		<u>(3,332,140,011)</u>
Estimated ending balance - June 30, 2011		<u>\$15,319,821</u> ¹¹

¹¹ NDCC Section 54-27.2-02 provides that any end of biennium balance in excess of \$65.0 million must be transferred to the budget stabilization fund, up to a cap of 10.0 percent of general fund appropriations.

**PERMANENT OIL TAX TRUST FUND STATUS STATEMENT
2009-11 BIENNIUM
AS OF MAY 31, 2010**

Beginning balance - July 1, 2009		\$489,727,017
Revenues:		
Revenues collected to date	\$222,612,246 ¹¹	
Remaining forecasted revenues (legislative forecast)	<u>288,901,133</u>	
Total revenues		<u>511,513,379</u>
Total available		\$1,001,240,396
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>\$255,065,296</u>

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	May 2009 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	48,181,000	35,788,881	(12,392,119)	-25.7%	520,163,000	495,934,641	(24,228,359)	-4.7%
Motor Vehicle Excise Tax	4,242,000	5,335,964	1,093,964	25.8%	35,575,000	50,242,316	14,667,316	41.2%
Individual Income Tax	12,366,000	6,503,106	(5,862,894)	-47.4%	303,808,000	285,498,083	(18,309,917)	-6.0%
Corporate Income Tax	5,197,000	2,787,817	(2,409,183)	-46.4%	96,247,000	65,804,947	(30,442,053)	-31.6%
Insurance Premium Tax	5,500,000	7,077,557	1,577,557	28.7%	29,535,000	29,781,418	246,418	0.8%
Financial Institutions Tax	490,000	19,777	(470,223)	-96.0%	4,750,000	2,801,341	(1,948,659)	-41.0%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*	6,609,000	0	(6,609,000)	-100.0%	24,785,000	38,281,667	13,496,667	54.5%
Gaming Tax	1,638,587	1,127,359	(511,228)	-31.2%	8,043,140	7,935,405	(107,735)	-1.3%
Lottery								
Cigarette & Tobacco Tax	1,897,000	2,034,724	137,724	7.3%	20,864,000	20,639,763	(224,237)	-1.1%
Wholesale Liquor Tax	570,000	622,761	52,761	9.3%	6,042,000	6,717,389	675,389	11.2%
Coal Conversion Tax	2,223,000	1,551,988	(671,012)	-30.2%	18,219,000	17,904,293	(314,707)	-1.7%
Mineral Leasing Fees	1,800,000	1,531,276	(268,724)	-14.9%	11,100,000	8,038,416	(3,061,584)	-27.6%
Departmental Collections	1,845,087	1,974,503	129,416	7.0%	27,437,918	30,628,668	3,190,750	11.6%
Interest Income	684,382	12,095,227	11,410,845	1667.3%	10,473,377	20,640,734	10,167,357	97.1%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers					644,000	1,763,688	1,119,688	173.9%
Total Revenues and Transfers	93,243,056	78,450,940	(14,792,116)	-15.9%	1,451,995,750	1,410,331,101	(41,664,649)	-2.9%

* Oil and gas production and extraction tax collections totaled \$43.2 million in May. 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 May 2010, oil tax collections totaling \$222.6 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
May 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2008	May 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	35,509,622	35,788,881	279,259	0.8%	441,554,610	495,934,641	54,380,031	12.3%
Motor Vehicle Excise Tax	6,212,458	5,335,964	(876,493)	-14.1%	60,670,701	50,242,316	(10,428,385)	-17.2%
Individual Income Tax	8,816,980	6,503,106	(2,313,873)	-26.2%	285,130,736	285,498,083	367,347	0.1%
Corporate Income Tax	4,602,139	2,787,817	(1,814,322)	-39.4%	117,379,895	65,804,947	(51,574,948)	-43.9%
Insurance Premium Tax	6,163,879	7,077,557	913,678	14.8%	31,669,226	29,781,418	(1,887,808)	-6.0%
Financial Institutions Tax	195,316	19,777	(175,539)	-89.9%	5,744,405	2,801,341	(2,943,065)	-51.2%
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	1,954,913	1,127,359	(827,555)	-42.3%	9,595,854	7,935,405	(1,660,448)	-17.3%
Lottery								
Cigarette & Tobacco Tax	1,786,258	2,034,724	248,466	13.9%	20,639,067	20,639,763	696	0.0%
Wholesale Liquor Tax	633,097	622,761	(10,336)	-1.6%	6,330,520	6,717,389	386,869	6.1%
Coal Conversion Tax	2,024,921	1,551,988	(472,932)	-23.4%	21,879,162	17,904,293	(3,974,869)	-18.2%
Mineral Leasing Fees	1,714,833	1,531,276	(183,557)	-10.7%	10,880,995	8,038,416	(2,842,579)	-26.1%
Departmental Collections	1,516,785	1,974,503	457,718	30.2%	26,597,464	30,628,668	4,031,204	15.2%
Interest Income	1,254,857	12,095,227	10,840,370	863.9%	19,203,590	20,640,734	1,437,144	7.5%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	316		(316)	-100.0%	675,727	1,763,688	1,087,961	161.0%
Total Revenues and Transfers	72,386,373	78,450,940	6,064,567	8.4%	1,243,951,952	1,410,331,101	166,379,149	13.4%

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