

Status of the General Fund

Presented to the

Budget Section

June 19, 2012

OMB
Office of Management
and Budget

Pam Sharp
Director of OMB



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 2.3% in April 2012, down nearly a full percentage point from the annual average in 2011 of 3.2%. According to *Moody's Analytics*, the CPI is expected to average only 1.9% during 2012. It is expected to remain below 2% for 2013 and below 3% through the long-term forecast horizon of 2016.

Money Markets – The average yield on a three-month Treasury bill is currently .1%. Rates have remained below 20 basis points since June of 2009 and averaged only .1% for 2011. *Moody's* expects three month T-bill rates to remain low, averaging .1% for all of 2012 and increasing to slightly over 1.0% by 2014. *Moody's* predicts that the prime rate, which has averaged 3.3% since 2009, will continue nearly unchanged through 2013, averaging 3.1% during the next two years. Their forecast provides for a sharp increase in the ensuing years, to 4.3% in 2014, 6.0% in 2015, and 7.0% in 2016.

Personal Income – Personal income, as reported by *Moody's* in inflation adjusted 2005 dollars, grew by 2.5% during 2011. *Moody's* predicts personal income growth will average only 1.6% during 2012, a downward revision of a full percentage point from their forecast of three months ago. They predict annual growth rates of 2.9% to 4.4% through 2016.

Commodity Prices – Agricultural prices rose by an average of 25.9% during 2011, the result of a 32.0% increase in crop prices and a 17.1% increase in livestock prices. The outlook remains positive, but provides for more moderate levels of growth between 1.6% and 5.1% per year through 2016. The outlook for West Texas Intermediate crude, the benchmark oil forecast for *Moody's Analytics*, is for the average price per barrel to rise gradually from the \$95.10 average in 2011 until stabilizing at around \$110 per barrel in 2014.

Local

Unemployment – North Dakota's non-seasonally adjusted unemployment rate in April 2012 remains the lowest in the nation at only 3.1%. The national average unemployment rate has fallen, but remained at 7.7% in April.

Energy – The April 2011 legislative forecast is based on oil production increasing from 390,000 barrels per day at the start of the 2011-13 biennium to 425,000 barrels per day by the end of the biennium. North Dakota crude oil prices are estimated to range from \$72 per barrel to \$75 per barrel during that time. The current rig count is 214 rigs, 45 rigs more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	March 2011	February 2011	January 2011
Actual average price per barrel	\$84.73	\$89.05	\$88.77
Production (barrels/day)	575,500	558,600	546,300
Drilling permits	181	168	170
Producing wells	6,921	6,726	6,624
Rig count	205	202	200

Mortgage Rates – Mortgage rates remain at near record lows. Thirty-year fixed rate mortgages are available locally for 3.75%. Fifteen-year fixed rates are around 2.875%.

**GENERAL FUND STATUS STATEMENT
2011-13 BIENNIUM
AS OF MAY 31, 2012**

Beginning balance:		
Beginning unobligated balance - July 1, 2011	\$996,832,711	
Balance obligated for authorized carryover of appropriations	<u>106,945,443</u>	
Total beginning balance		\$1,103,778,154
Revenues:		
Revenues collected to date	\$2,281,902,979	
Remaining forecasted revenues	<u>1,827,511,461</u>	
Total revenues		<u>4,109,414,440</u>
Total available		\$5,213,192,594
Expenditures:		
Legislative appropriations - One time	(\$533,958,760)	
Legislative appropriations - Ongoing	(3,532,895,032)	
Legislative appropriations - Special session	(96,832,668)	
Contingent legislative appropriations - Special session	(73,000,000)	
Authorized carryover from previous biennium	(106,945,443)	
2011-13 authority used in 2009-11 pursuant to emergency clause	<u>519,254</u>	
Total authorized expenditures		(4,343,112,649)
Estimated deficiency requests:		
DHS - FY2013 reduced FMAP		<u>(21,200,000)</u>
Estimated ending balance - June 30, 2013		<u><u>\$848,879,945</u></u> ^{v1}

^{v1} 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 9.5 percent of general fund appropriations. Appropriations authorized during the 2011 special session result in the need to increase the budget stabilization fund cap by \$16.1 million. This will reduce or eliminate investment earnings available for transfer to the general fund and may result in an additional transfer from the end of biennium general fund balance.

**SELECTED SPECIAL FUNDS
MAY 31, 2012 FUND BALANCES**

Fund	Balance
Budget stabilization fund	\$386,351,110
Legacy fund	\$351,974,105
Foundation aid stabilization fund	\$204,034,265
Property tax relief sustainability fund	\$261,828,006

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2011-13 Biennium
May 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	57,941,000	95,344,914	37,403,914	64.6%	624,354,000	952,622,064	328,268,064	52.6%
Motor Vehicle Excise Tax	9,126,000	12,346,669	3,220,669	35.3%	80,848,000	111,513,916	30,665,916	37.9%
Individual Income Tax	12,711,000	9,576,328	(3,134,672)	-24.7%	252,640,000	404,176,195	151,536,195	60.0%
Corporate Income Tax	2,187,000	6,939,203	4,752,203	217.3%	46,929,000	159,626,651	112,697,651	240.1%
Insurance Premium Tax	8,000,000	7,153,490	(846,510)	-10.6%	33,250,000	35,452,569	2,202,569	6.6%
Financial Institutions Tax	6,000	(96,119)	(102,119)	-1702.0%	2,270,000	3,808,176	1,538,176	67.8%
Oil & Gas Production Tax*					89,237,000	99,799,206	10,562,206	11.8%
Oil Extraction Tax*					110,763,000	100,200,794	(10,562,206)	-9.5%
Gaming Tax	643,545	782,055	138,510	21.5%	4,529,873	5,674,736	1,144,863	25.3%
Lottery								
Cigarette & Tobacco Tax	1,850,000	2,197,244	347,244	18.8%	20,222,000	24,048,579	3,826,579	18.9%
Wholesale Liquor Tax	634,000	783,082	149,082	23.5%	6,705,000	7,678,107	973,107	14.5%
Coal Conversion Tax	1,494,000	1,732,298	238,298	16.0%	14,936,000	16,271,852	1,335,852	8.9%
Mineral Leasing Fees	1,416,667	2,336,963	920,296	65.0%	9,208,337	27,717,562	18,509,225	201.0%
Departmental Collections	1,923,782	1,287,734	(636,048)	-33.1%	28,795,054	32,349,193	3,554,139	12.3%
Interest Income	985,000	440,055	(544,945)	-55.3%	9,805,000	5,197,890	(4,607,110)	-47.0%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		581	581	100.0%	742,500	765,487	22,987	3.1%
Total Revenues and Transfers	98,917,994	140,824,497	41,906,503	42.4%	1,630,234,764	2,281,902,979	651,668,215	40.0%

* Oil and gas production and extraction tax collections totaled \$156.9 million in May. Through May, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$261.8 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through May, \$352.0 million has been deposited into the legacy fund.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2011-13 Biennium
May 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2010	May 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	35,788,881	95,344,914	59,556,033	166.4%	495,934,641	952,622,064	456,687,423	92.1%
Motor Vehicle Excise Tax	5,335,964	12,346,669	7,010,704	131.4%	50,242,316	111,513,916	61,271,600	122.0%
Individual Income Tax	6,503,106	9,576,328	3,073,222	47.3%	285,498,083	404,176,195	118,678,113	41.6%
Corporate Income Tax	2,787,817	6,939,203	4,151,385	148.9%	65,804,947	159,626,651	93,821,704	142.6%
Insurance Premium Tax	7,077,557	7,153,490	75,933	1.1%	29,781,418	35,452,569	5,671,151	19.0%
Financial Institutions Tax	19,777	(96,119)	(115,896)	-586.0%	2,801,341	3,808,176	1,006,835	35.9%
Oil & Gas Production Tax*					32,718,333	99,799,206	67,080,873	205.0%
Oil Extraction Tax*					38,281,667	100,200,794	61,919,127	161.7%
Gaming Tax	1,127,359	782,055	(345,304)	-30.6%	7,935,405	5,674,736	(2,260,669)	-28.5%
Lottery								
Cigarette & Tobacco Tax	2,034,724	2,197,244	162,520	8.0%	20,639,763	24,048,579	3,408,816	16.5%
Wholesale Liquor Tax	622,761	783,082	160,322	25.7%	6,717,389	7,678,107	960,718	14.3%
Coal Conversion Tax	1,551,988	1,732,298	180,309	11.6%	17,904,293	16,271,852	(1,632,441)	-9.1%
Mineral Leasing Fees	1,531,276	2,336,963	805,688	52.6%	8,038,416	27,717,562	19,679,147	244.8%
Departmental Collections	1,974,503	1,287,734	(686,769)	-34.8%	30,628,668	32,349,193	1,720,526	5.6%
Interest Income	12,095,227	440,055	(11,655,173)	-96.4%	20,640,734	5,197,890	(15,442,844)	-74.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		581	581	#DIV/0!	1,763,688	765,487	(998,201)	-56.6%
Total Revenues and Transfers	78,450,940	140,824,497	62,373,557	79.5%	1,410,331,101	2,281,902,979	871,571,878	61.8%

* Oil and gas production and extraction tax collections totaled \$156.9 million in May. Through May, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$261.8 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through May, \$352.0 million has been deposited into the legacy fund.

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

February - April 2012

Severance Pay

April 2012

530 Department of Corrections and Rehabilitation
Gerald G. Nankivel

\$20,000.00

FTE reassigned from Bismarck to Williston Parole and Probation District.

Report on Federal Grants

Per NDCC 54-27-27

June 19, 2012

Agency	Time Period of Grant	Amount of Grant
Department of Public Instruction	9/1/2012 – 9/1/2014	\$244,742
Department of Commerce	To be determined.	\$1,000,000
Job Service North Dakota	7/1/2012 – 6/30/2014	\$10,154,392

NDCC 54-27-25
Tobacco Settlement Trust Fund - Fund 407

Date	Total Received	Community Health Trust Fund - 10%	Commons School Trust Fund - 45%	Water Development Trust Fund - 45%
12/14/99	9,036,985.38	903,698.54	4,066,643.42	4,066,643.42
1/3/00	7,871,639.19	787,163.91	3,542,237.64	3,542,237.64
4/18/00	12,875,523.14	1,287,552.32	5,793,985.41	5,793,985.41
4/19/00	169,475.62	16,947.56	76,264.03	76,264.03
5/4/00	984.72	98.48	443.12	443.12
9/13/00	363.38	36.34	163.52	163.52
1/2/01	8,011,307.29	801,130.73	3,605,088.28	3,605,088.28
1/17/01	1,505.95	150.59	677.68	677.68
4/17/01	14,690,317.34	1,469,031.74	6,610,642.80	6,610,642.80
4/27/01	221,405.57	22,140.55	99,632.51	99,632.51
6/15/01	21,277.38	2,127.74	9,574.82	9,574.82
11/19/01	181,556.56	18,155.66	81,700.45	81,700.45
1/2/02	7,115,019.43	711,501.95	3,201,758.74	3,201,758.74
1/14/02	2,071.14	207.12	932.01	932.01
4/16/02	18,872,853.92	1,887,285.40	8,492,784.26	8,492,784.26
4/23/02	609,210.48	60,921.04	274,144.72	274,144.72
1/2/03	5,869,683.32	586,968.34	2,641,357.49	2,641,357.49
1/16/03	1,960,169.68	196,016.96	882,076.36	882,076.36
4/16/03	18,051,398.80	1,805,139.88	8,123,129.46	8,123,129.46
4/23/03	668,581.37	66,858.13	300,861.62	300,861.62
7/1/03	305,817.91	30,581.79	137,618.06	137,618.06
10/3/03	230,963.18	23,096.32	103,933.43	103,933.43
4/15/04	21,899,894.49	2,189,989.45	9,854,952.52	9,854,952.52
4/21/04	852,398.02	85,239.80	383,579.11	383,579.11
8/30/04	255,371.41	25,537.15	114,917.13	114,917.13
4/19/05	22,261,451.85	2,226,145.19	10,017,653.33	10,017,653.33
4/20/05	809,930.77	80,993.07	364,468.85	364,468.85
10/6/05	262,051.11	26,205.11	117,923.00	117,923.00
4/17/06	19,898,716.49	1,989,871.65	8,954,422.42	8,954,422.42
4/19/06	1,253,301.83	125,330.19	563,985.82	563,985.82
12/22/06	196,418.35	19,641.83	88,388.26	88,388.26
4/17/07	20,664,718.59	2,066,471.85	9,299,123.37	9,299,123.37
4/19/07	1,379,744.44	137,974.44	620,885.00	620,885.00
6/5/07	173,167.26	17,316.72	77,925.27	77,925.27
4/16/08	34,965,293.50	3,496,529.34	15,734,382.08	15,734,382.08
4/17/08	1,515,783.61	151,578.37	682,102.62	682,102.62
7/7/08	91.50	9.14	41.18	41.18
2/26/09	1,978,845.20	197,884.52	890,480.34	890,480.34
4/20/09	23,035,384.29	2,303,538.43	10,365,922.93	10,365,922.93
4/15/10	19,759,434.19	1,975,943.41	8,891,745.39	8,891,745.39
4/19/10	1,057,430.92	105,743.10	475,843.90	475,843.91
4/20/11	19,736,098.42	1,973,609.84	8,881,244.29	8,881,244.29
4/20/12	20,127,216.58	2,012,721.66	9,057,247.46	9,057,247.46
Totals	318,850,853.57	31,885,085.35	143,482,884.10	143,482,884.11

NDCC 54-27-25
Tobacco Prevention and Control Trust Fund - Fund 369

Date	Total Received
4/20/2009	14,138,010.91
4/15/2010	11,817,519.68
4/19/2010	456,873.60
4/20/2011	11,186,238.40
4/20/2012	11,392,520.98
Totals	<u>48,991,163.57</u>

**DEVELOPMENT, AND TOBACCO PREVENTION AND CONTROL TRUST FUNDS
REVENUES AND EXPENDITURES
DECEMBER 1, 1999, THROUGH MAY 31, 2012**

	1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11	2011-13 To Date	Total To Date
<u>Community Health Trust Fund</u>								
Deposits	\$5,290,079	\$5,363,636	\$4,631,001	\$4,382,812	\$6,149,540	\$4,084,269	\$2,421,526	\$32,322,863
Expenditures	0	4,900,626	5,881,565	6,492,393	7,243,242	5,791,605	1,196,282	<u>31,505,713</u>
Current balance								<u><u>\$817,150</u></u>
<u>Water Development Trust Fund</u>								
Deposits	\$23,805,353	\$24,136,363	\$20,839,504	\$19,722,653	\$27,672,929	\$18,248,834	\$9,057,247	\$143,482,883
Expenditures	0	38,532,205	17,048,776	23,932,939	15,652,299	14,050,061	8,369,758	<u>117,586,038</u>
Current balance								<u><u>\$25,896,845</u></u>
<u>Tobacco Prevention and Control Trust Fund</u>								
Deposits/Interest					\$14,146,301	\$23,567,542	\$11,422,431	\$49,136,274
Expenditures					38,815	8,118,602	4,284,530	<u>12,441,947</u>
Current balance								<u><u>\$36,694,327</u></u>