

Status of the General Fund

Presented to the

Budget Section

June 21, 2011



Pam Sharp, Director
Office of Management and Budget

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 3.2% in April 2011, a significant increase from the annual average in 2010 of only 1.6%. Responding to the rising price of fuel, the CPI has spiked in recent months, increasing steadily from the 1.5% recorded in December 2010 to 1.6% in January, 2.1% in February, 2.7% in March, and 3.2% in April. According to *Moody's Analytics*, the CPI is expected to grow between 1.9% and 2.8% per year during the long-term forecast through 2015.

Money Markets - The average yield on a three-month Treasury bill during the first quarter of 2011 was .13%, a 1 basis point decrease from the previous quarter. *Moody's* believes three month T-bill rates have bottomed out and will begin a gradual climb, averaging .27% for 2011 and 1.15% for 2012. Rates during the longer-term forecast from 2013 to 2015 are projected to be between 2.88% and 3.74%. *Moody's* predicts that the prime rate, which has remained flat at 3.25% since 2009, will continue flat for the rest of 2011, then begin to rise. Their forecast provides for a steady increase to 4.17% in 2012 and to over 7.00% by 2015.

Personal Income - Personal income, as reported by *Moody's* in inflation adjusted 2005 dollars, fell 1.9% during 2009, but rebounded with 1.3% growth in 2010. Current data show personal income growth of 3.5% during the first quarter of 2011. The forecast shows average personal income growth of 3.1% for 2011, followed by 4.2%, 4.6%, 3.8%, and 3.0% during the ensuing four years.

Commodity Prices - Agricultural prices rose by an average of 10.4% during 2010, led by a robust 17.0% increase in livestock prices and a more meager 3.9% increase in crop prices. The outlook is positive for 2011, with agricultural prices expected to increase 17.9% over 2010. However, the longer-term forecast shows much more modest levels of growth, averaging only 1.7% to 3.1% per year through 2015. The outlook for West Texas Intermediate crude, the benchmark forecast for *Moody's Analytics*, is fairly stable as prices fluctuate in a narrow band from \$96 to \$101 per barrel through 2015.

Local

Unemployment - North Dakota's non-seasonally adjusted unemployment rate in April 2011 remains the lowest in the nation at only 3.2%, down from the March 2011 rate of 4.2%. The national average unemployment rate was 8.7% in April 2011.

Energy - The April 2011 legislative forecast for the remainder of the 2009-11 biennium is based on oil production of 390,000 barrels per day and a price of \$67 per barrel. Currently, the price of North Dakota crude is around \$91 per barrel. March production grew by 10,000 barrels per day to average nearly 360,000 barrels per day, but remains significantly below the forecasted level. The current rig count is 169, 44 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	\$92.15	\$78.19	\$78.59
Production (barrels/day)	359,600	349,100	343,300
Drilling permits	149	155	142
Producing wells	5,439	5,324	5,317
Rig count	171	167	163

Mortgage Rates - Mortgage rates remain low. Thirty-year fixed rate mortgages are available locally for 4.50% to 4.75%. Fifteen-year fixed rates are between 3.375% and 3.625%.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2009-11 Biennium
May 2011

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	44,021,000	72,458,057	28,437,057	64.6%	1,065,466,000	1,204,188,585	138,722,585	13.0%
Motor Vehicle Excise Tax	4,895,000	7,087,721	2,192,721	44.8%	82,403,000	117,614,050	35,211,050	42.7%
Individual Income Tax	12,871,000	34,897,921	22,026,921	171.1%	637,407,000	704,975,065	67,568,065	10.6%
Corporate Income Tax	5,144,000	4,988,657	(155,343)	-3.0%	215,435,000	205,470,966	(9,964,034)	-4.6%
Insurance Premium Tax	6,000,000	7,303,036	1,303,036	21.7%	63,800,000	61,905,938	(1,894,062)	-3.0%
Financial Institutions Tax	490,000	14	(489,986)	-100.0%	9,500,000	6,733,053	(2,766,947)	-29.1%
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	1,414,061	1,450,448	36,387	2.6%	16,558,207	15,889,660	(668,547)	-4.0%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,855,000	1,823,327	(31,673)	-1.7%	43,370,000	44,058,191	688,191	1.6%
Wholesale Liquor Tax	580,000	709,644	129,644	22.4%	12,961,000	14,476,950	1,515,950	11.7%
Coal Conversion Tax	1,867,000	1,545,248	(321,752)	-17.2%	41,375,000	35,773,057	(5,601,943)	-13.5%
Mineral Leasing Fees	2,200,000	1,874,062	(325,938)	-14.8%	23,900,000	18,647,485	(5,252,515)	-22.0%
Departmental Collections	1,877,885	2,645,728	767,843	40.9%	58,376,481	65,457,086	7,080,605	12.1%
Interest Income	1,349,930	577,961	(771,969)	-57.2%	24,052,934	30,146,583	6,093,649	25.3%
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					435,000,000	435,000,000	0	0.0%
Other Transfers		30,156	30,156	100.0%	1,288,000	2,823,324	1,535,324	119.2%
Total Revenues and Transfers	84,564,876	137,391,980	52,827,104	62.5%	2,809,838,040	3,045,520,450	235,682,410	8.4%

* Oil and gas production and extraction tax collections totaled \$71.8 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, oil tax collections totaling \$825.2 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 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009	May 2011	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	30,172,622	72,458,057	42,285,435	140.1%	997,634,776	1,204,188,585	206,553,810	20.7%
Motor Vehicle Excise Tax	5,386,287	7,087,721	1,701,434	31.6%	124,331,951	117,614,050	(6,717,902)	-5.4%
Individual Income Tax	30,504,059	34,897,921	4,393,862	14.4%	665,004,356	704,975,065	39,970,709	6.0%
Corporate Income Tax	2,978,644	4,988,657	2,010,013	67.5%	219,543,474	205,470,966	(14,072,508)	-6.4%
Insurance Premium Tax	7,219,894	7,303,036	83,142	1.2%	63,573,397	61,905,938	(1,667,459)	-2.6%
Financial Institutions Tax	11,271	14	(11,257)	-99.9%	10,489,637	6,733,053	(3,756,584)	-35.8%
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	1,687,043	1,450,448	(236,595)	-14.0%	19,754,738	15,889,660	(3,865,079)	-19.6%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	1,778,142	1,823,327	45,185	2.5%	43,455,479	44,058,191	602,712	1.4%
Wholesale Liquor Tax	582,847	709,644	126,797	21.8%	13,433,197	14,476,950	1,043,753	7.8%
Coal Conversion Tax	2,121,163	1,545,248	(575,914)	-27.2%	47,284,117	35,773,057	(11,511,061)	-24.3%
Mineral Leasing Fees	937,619	1,874,062	936,443	99.9%	28,611,553	18,647,485	(9,964,068)	-34.8%
Departmental Collections	1,987,709	2,645,728	658,019	33.1%	58,874,570	65,457,086	6,582,516	11.2%
Interest Income	2,475,181	577,961	(1,897,221)	-76.6%	44,102,558	30,146,583	(13,955,974)	-31.6%
Bank of North Dakota-Transfer					30,000,000	0	(30,000,000)	-100.0%
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	435,000,000	320,000,000	278.3%
Other Transfers	16,435	30,156	13,721	83.5%	4,547,682	2,823,324	(1,724,358)	-37.9%
Total Revenues and Transfers	87,858,916	137,391,980	49,533,064	56.4%	2,561,941,484	3,045,520,450	483,578,966	18.9%

* Oil and gas production and extraction tax collections totaled \$71.8 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, oil tax collections totaling \$825.2 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

GENERAL FUND STATUS STATEMENT
2009-11 BIENNIUM
AS OF MAY 31, 2011

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	\$3,045,520,450	
Remaining forecast (based on April 2011 leg. forecast)	142,356,064	
Transfer balance from permanent oil tax trust fund	<u>676,723,993</u>	
Total revenues		<u>3,864,600,507</u>
Total available		\$4,302,827,551
Expenditures:		
Original appropriations - One time	(\$278,984,727)	
Original appropriations - Ongoing	(2,970,380,754)	
Contingent appropriations - One time	(10,000,000)	
Authorized carryover	(76,383,530)	
Supplemental appropriations	(37,230,168)	
Estimated unspent authority	<u>20,103,000</u>	
Estimated expenditures		<u>(3,352,876,179)</u>
Estimated ending balance before transfers		\$949,951,372
Transfer to budget stabilization fund		<u>(61,414,562)</u>
Estimated ending balance - June 30, 2011		<u>\$888,536,810</u>

PERMANENT OIL TAX TRUST FUND STATUS STATEMENT
2009-11 BIENNIUM
AS OF MAY 31, 2011

Beginning balance - July 1, 2009		\$489,727,017
Revenues:		
Revenues collected to date	\$825,223,740	
Remaining forecasted revenues	<u>143,607,494 ¹¹</u>	
Total revenues		<u>968,831,234</u>
Total available		\$1,458,558,251
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	(299,233,000)	
Transfer to disaster relief fund	(22,000,000)	
Other appropriations	(25,601,258)	
Transfer remaining balance to general fund	<u>(676,723,993)</u>	
Total appropriations and transfers		<u>(1,458,558,251)</u>
Estimated ending balance - June 30, 2011		<u>\$0</u>

¹¹ Assumes June and July revenues equal \$71.8 million per month, the same as the amount collected in May 2011.

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
Totals	298,723,636.99	29,872,363.69	134,425,636.64	134,425,636.65

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

<u>Date</u>	<u>Total Received</u>
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
Totals	<u>37,598,642.59</u>

DECEMBER 1, 1999, THROUGH MAY 31, 2011

	1999-2001	2001-03	2003-05	2005-07	2007-09	2009-11 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	\$29,901,337
Expenditures	0	4,900,626	5,881,565	6,492,393	7,243,242	4,122,807	<u>28,640,633</u>
Current balance							<u><u>\$1,260,704</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	\$134,425,636
Expenditures	0	38,532,205	17,048,776	23,932,939	15,652,299	14,050,061	<u>109,216,280</u>
Current balance							<u><u>\$25,209,356</u></u>
<u>Tobacco Prevention and Control Trust Fund</u>							
Deposits/Interest					\$14,146,301	\$23,557,286	\$37,703,587
Expenditures					38,815	6,936,453	<u>6,975,268</u>
Current balance							<u><u>\$30,728,319</u></u>

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

November 2010 – May 2011

*There were no reportable fiscal irregularities during the
November 2010 through May 2011 time period.*