



OMB

.....

► **Status of the General Fund**

Presented to the

**Budget Section**

**September 20, 2012**

.....

**Pam Sharp**  
**Director of OMB**

 **OMB**  
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 1.7% in August 2012, just over half the annual average of 3.2% in 2011. According to *Moody's Analytics*, the CPI is expected to average only 2.1% during 2012. It is expected to average 2% for 2013 and stay 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 in the near term, averaging .1% for all of 2012, but increase to nearly 2.0% by 2015 and 3.3% by 2016. *Moody's* predicts that the prime rate, which has not gone above 3.3% since 2009, will slip even lower, averaging only 3.2% for 2012 and 3.1% for 2013. Their forecast provides for a sharp increase in the ensuing years, to 5.1% in 2015, and 6.8% in 2016.

Personal Income – Personal income, as reported by *Moody's* in inflation adjusted 2005 dollars, grew by 2.6% during 2011. *Moody's* predicts personal income growth will average only 2.1% during 2012 and 3.0% in 2013. They predict annual growth rates of 3.9% to 4.6% through 2016.

Commodity Prices – Agricultural prices rose by an average of 26.3% during 2011, the result of a 32.6% increase in crop prices and a 17.1% increase in livestock prices. The outlook remains positive, but provides for more moderate levels of growth around 2.0% 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 \$111 per barrel in 2014 through 2016.

### Local

Unemployment – North Dakota's non-seasonally adjusted unemployment rate in July 2012 remains the lowest in the nation at only 2.9%. The national average unemployment rate has fallen, but remained at 8.6% in July.

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 revised forecast provides for production to increase to 830,000 barrels per day and price to remain at around \$70 per barrel during fiscal year 2013. The current rig count is 191 rigs, 8 rigs fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	June 2012	May 2012	April 2012
Actual average price per barrel	\$73.21	\$81.76	\$83.92
Production (barrels/day)	660,300	639,300	609,500
Drilling permits	204	180	167
Producing wells	7,325	7,205	7,036
Rig count	213	211	209

Mortgage Rates – Mortgage rates remain at near record lows. Thirty-year fixed rate mortgages are available locally for 3.625%. Fifteen-year fixed rates are around 2.875%.



**GENERAL FUND STATUS STATEMENT  
2011-13 BIENNIUM (BASED ON PRELIMINARY FORECAST)  
AS OF AUGUST 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:		
Actual revenues through August 2012	\$2,898,106,861	
Estimated remaining revenues (prelim forecast)	<u>1,962,452,670</u>	
Total revenues		<u>4,860,559,531</u>
Total available		\$5,964,337,685
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:		
Dept. of Human Services - FY2013 reduced FMAP	(\$21,200,000)	
Department of Health	(582,894)	
Job Service ND	(5,847)	
Highway Patrol	(500,000)	
Forest Service	(250,000)	
Tax Department	(981,855)	
State Fair	<u>(1,397,630)</u>	
Total estimated deficiency requests		<u>(24,918,226)</u>
Estimated ending balance before transfer to budget stabilization		<u>\$1,596,306,810</u> <sup>v1</sup>

<sup>v1</sup> 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  
AUGUST 31, 2012 FUND BALANCES**

<b>Fund</b>	<b>Balance</b>
Budget stabilization fund	\$394,218,270
Legacy fund	\$492,099,148
Foundation aid stabilization fund	\$227,308,001
Property tax relief sustainability fund	\$341,790,000

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2011-13 Biennium**  
**August 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	70,499,000	101,992,607	31,493,607	44.7%	803,137,000	1,253,709,677	450,572,677	56.1%
Motor Vehicle Excise Tax	7,520,000	11,773,285	4,253,285	56.6%	104,193,000	144,802,154	40,609,154	39.0%
Individual Income Tax	19,054,000	6,316,237	(12,737,763)	-66.9%	315,916,000	499,661,896	183,745,896	58.2%
Corporate Income Tax		172,405	172,405	100.0%	61,734,000	199,897,981	138,163,981	223.8%
Insurance Premium Tax	3,500,000	3,641,526	141,526	4.0%	38,000,000	42,687,818	4,687,818	12.3%
Financial Institutions Tax		2,367	2,367	100.0%	2,270,000	3,785,326	1,515,326	66.8%
Oil & Gas Production Tax*	16,956,688	16,956,688	0	0.0%	163,458,104	163,458,104	0	0.0%
Oil Extraction Tax*	23,991,583	23,991,583	0	0.0%	136,541,896	136,541,896	0	0.0%
Gaming Tax	892,799	872,505	(20,294)	-2.3%	5,634,118	6,984,646	1,350,528	24.0%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,962,000	2,552,422	590,422	30.1%	26,033,000	31,491,799	5,458,799	21.0%
Wholesale Liquor Tax	617,000	796,312	179,312	29.1%	8,748,000	10,115,941	1,367,941	15.6%
Coal Conversion Tax	1,464,000	1,494,871	30,871	2.1%	19,290,000	20,992,996	1,702,996	8.8%
Mineral Leasing Fees	1,416,667	2,237,512	820,845	57.9%	11,333,338	30,158,326	18,824,988	166.1%
Departmental Collections	1,732,132	2,678,462	946,330	54.6%	34,933,842	39,271,876	4,338,034	12.4%
Interest Income	985,000	478,072	(506,928)	-51.5%	21,762,500	7,674,798	(14,087,702)	-64.7%
State Mill & Elevator-Transfer					3,325,000	3,822,989	497,989	15.0%
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers					928,125	1,048,638	120,513	13.0%
<b>Total Revenues and Transfers</b>	<b>150,590,868</b>	<b>175,956,853</b>	<b>25,365,984</b>	<b>16.8%</b>	<b>2,057,737,923</b>	<b>2,898,106,861</b>	<b>840,368,938</b>	<b>40.8%</b>

\* Oil and gas production and extraction tax collections totaled \$162.1 million in August. The general fund reached its biennial cap of \$300.0 million and \$24.1 million was deposited into the strategic investment and improvements fund. Once \$100.0 million is deposited into this fund, \$22.0 million will be deposited into the state disaster fund. After the cap is reached in that fund, additional revenues will once again be deposited into the strategic investment and improvements fund. Through August, \$489.8 million has been deposited into the legacy fund.

The original legislative forecast assumed the general fund cap would not be reached until March 2013. However, due to the general fund cap of \$300.0 million, the biennium total will not change, regardless of timing. In order to avoid overstating the general fund variance, the remaining forecasted amount for oil taxes is reflected in the month of August, which is the last month oil taxes will be deposited into the general fund during this biennium.



# PRELIMINARY REVENUE FORECAST

## OFFICE OF MANAGEMENT & BUDGET

	2011-13			2013-15	
	2011 Legislative Forecast	Revised Forecast	Change	Preliminary Forecast	Change from 2011-13 Leg. Forecast
<b>Tax Types</b>					
Sales and Use Tax	\$1,382,234,660	\$2,095,391,016	\$713,156,356	\$2,598,484,000	\$1,216,249,340
Motor Vehicle Excise Tax	183,039,167	256,450,505	73,411,338	325,519,000	142,479,833
Individual Income Tax	544,665,667	872,684,013	328,018,346	958,628,000	413,962,333
Corporate Income Tax	126,243,667	376,529,771	250,286,104	406,202,000	279,958,333
Insurance Premium Tax	70,560,000	78,056,968	7,496,968	78,056,968	7,496,968
Financial Inst. Tax	5,041,666	7,583,160	2,541,494	7,900,000	2,858,334
Oil & Gas Production Tax	133,834,000	179,259,416	45,425,416	133,834,000	0
Oil Extraction Tax	166,166,000	120,740,313	(45,425,687)	166,166,000	0
Gaming	9,241,952	11,222,421	1,980,469	10,800,000	1,558,048
Cigarette and Tobacco Tax	43,902,000	54,695,013	10,793,013	58,919,000	15,017,000
Wholesale Liquor Tax	14,934,000	17,384,477	2,450,477	18,701,000	3,767,000
Coal Conversion Tax	35,764,000	39,065,126	3,301,126	39,300,000	3,536,000
Mineral Leasing Fees	17,000,000	34,781,711	17,781,711	17,000,000	0
Departmental Collections	63,284,446	71,222,034	7,937,588	71,222,034	7,937,588
Interest	42,700,000	14,166,716	(28,533,284)	29,366,716	(13,333,284)
<b>Revenues Before Transfers</b>	<b>\$2,838,611,225</b>	<b>\$4,229,232,660</b>	<b>\$1,390,621,435</b>	<b>\$4,920,098,718</b>	<b>\$2,081,487,493</b>
<b>Transfers</b>					
State Mill profits - Transfer	6,650,000	7,645,978	995,978		
Lottery	11,000,000	12,500,000	1,500,000		
Property Tax Relief Sustainability Fund	295,000,000	295,000,000	0		
SII Fund	305,000,000	305,000,000	0		
Gas tax admin - Transfer	1,485,000	1,485,000	0		
Misc.	0	120,513	120,513		
<b>Total transfers</b>	<b>\$619,135,000</b>	<b>\$621,751,491</b>	<b>\$2,616,491</b>		
<b>Total revenues and transfers</b>	<b>\$3,457,746,225</b>	<b>\$4,850,984,151</b>	<b>\$1,393,237,926</b>		

**PRELIMINARY REVENUE FORECAST**  
**ESTIMATED OIL TAXES**  
**FISCAL YEARS 2013, 2014, AND 2015**

	Fiscal Year Amounts				Biennial Amounts	
	Actual FY12	Estimated FY13	Estimated FY14	Estimated FY15	Estimated 2011-13	Estimated 2013-15
Oil and gas impact grant fund	\$100,000,000	\$0	\$100,000,000	\$0	\$100,000,000	\$100,000,000
Oil and gas research fund	4,000,000	0	4,000,000	0	4,000,000	4,000,000
Distributions to cities and counties	118,077,571	128,172,000	140,293,000	147,198,000	246,249,571	287,491,000
Tribal allocations	71,460,357	90,300,000	93,000,000	98,400,000	161,760,357	191,400,000
Legacy fund	446,334,851	739,728,293	713,874,825	767,202,000	1,186,063,144	1,481,076,825
Foundation aid stabilization fund	79,754,818	115,298,165	131,838,675	141,638,000	195,052,983	273,476,675
Common schools trust fund	79,754,818	115,298,165	131,838,675	141,638,000	195,052,983	273,476,675
Resources trust fund	159,509,637	230,596,330	263,677,350	283,276,000	390,105,967	546,953,350
General fund share	259,051,729	40,948,271	300,000,000	0	300,000,000	300,000,000
Property tax relief fund	341,790,000	0	341,790,000	0	341,790,000	341,790,000
State disaster fund	0	22,000,000	22,000,000	0	22,000,000	22,000,000
Strategic investment and improvements fund	0	687,549,226	230,270,225	1,076,388,000	687,549,226	1,306,658,225
<b>Total</b>	<b>\$1,659,733,781</b>	<b>\$2,169,890,450</b>	<b>\$2,472,582,750</b>	<b>\$2,655,740,000</b>	<b>\$3,829,624,231</b>	<b>\$5,128,322,750</b>
Price range (price per barrel)	\$81-\$92	\$70	\$75	\$80	\$70	\$75-80
Production range (barrels)	425,000-680,000	680,000-830,000	830,000-850,000	850,000	425,000-830,000	830,000-850,000

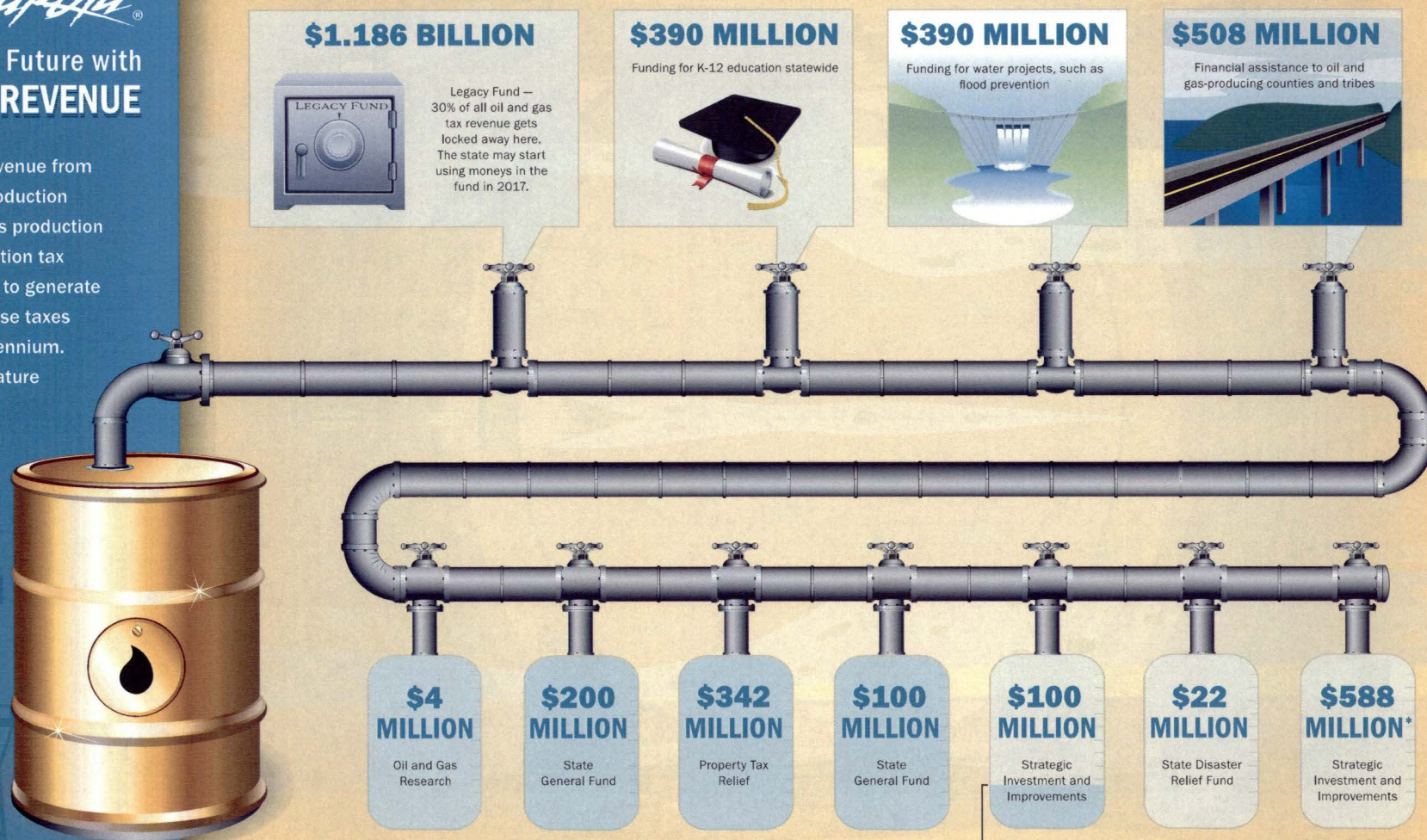


# North Dakota®

## Building a Strong Future with OIL & GAS TAX REVENUE

North Dakota receives revenue from the state's oil and gas production through an oil & gas gross production tax (5%) and an oil extraction tax (6.5%). The state expects to generate over \$3.8 billion from these taxes during the 2011-2013 biennium. In 2011, the State Legislature established an allocation plan for these funds. The numbers here reflect the projected allocations.

**StrongFutureND.com**



This infographic was last updated August 2012.

Allocation plan funded to this point as of August 2012.

\* After the fund balance reaches \$300 million, 25% of any additional revenues are diverted to the Legacy Fund.

# **N.D.C.C. 54-14-03.1**

## **Fiscal Irregularities**

May - August 2012

### **Pay Adjustment**

#### **June 2012**

<b>253</b>	<b>ND Vision Services/School for the Blind</b>	
	<b>Kenneth Dockter</b>	<b>\$3,058.44</b>
	<b>Tracy Eileen Wicken</b>	<b>1,063.68</b>
	<b>Cynthia Williams</b>	<b>1,092.00</b>

Summer contract outside of academic year contract.

### **Retroactive Pay**

#### **July 2012**

<b>252</b>	<b>School for the Deaf</b>	
	<b>Tami Iszler</b>	<b>\$945.56</b>

Summer contract outside of academic year contract.