

Status of the General Fund

Presented to the

Government Services Committee

July 13, 2011



Sheila Peterson, Director
Fiscal Management Division
Office of Management and Budget

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><u>\$888,536,810</u></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><u>\$0</u></u>

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

Budget Process

The budget process in North Dakota covers a two-year period.

At the beginning of each even-numbered year (2010), the Office of Management and Budget's Fiscal Management Division releases instructions and guidelines for state agencies to use in preparing budget requests for the upcoming biennium (July 1, 2011 – June 30, 2013).

After budget instructions are provided to agencies, OMB budget staff visit their assigned agencies. This provides an opportunity for the budget staff to learn about the agency's programs, functions, and budgetary needs. It is also an opportunity for agencies to ask questions or clarify how budget requests should be presented.

In April, preliminary information on buildings and infrastructure is due from agencies. This information is entered into the building and infrastructure formulas, then recalculated and returned to the agencies to use in budget preparation.

In July, the preliminary revenue forecast for the upcoming biennium is completed. July 15 is the statutory deadline for agencies to submit the budget request. Extensions may be available upon written request to the Office of Management and Budget.

From July to October, budget meetings are held on agency budget requests. After the budget meeting, the budget analyst completes the recommendation for each agency. This is done in discussion with the director of the Office of Management and Budget and the Governor and his policy advisors.

In early November, the executive revenue forecast is completed and recommendations are finalized. Documentation and publications are prepared and printed.

During the first week of December, the Governor presents the budget recommendations to the legislature. Following the Governor, Fiscal Management staff present budget details for each agency and review with legislators how to use the budget publications and budget computer system.

In January of each odd-numbered year (2011), the legislature convenes for a maximum of 80 days. During this time, hearings on all appropriation requests are held by the legislative appropriation committee. Prior to adjourning, the legislature passes, and the Governor signs, the appropriation measures for the state of North Dakota.

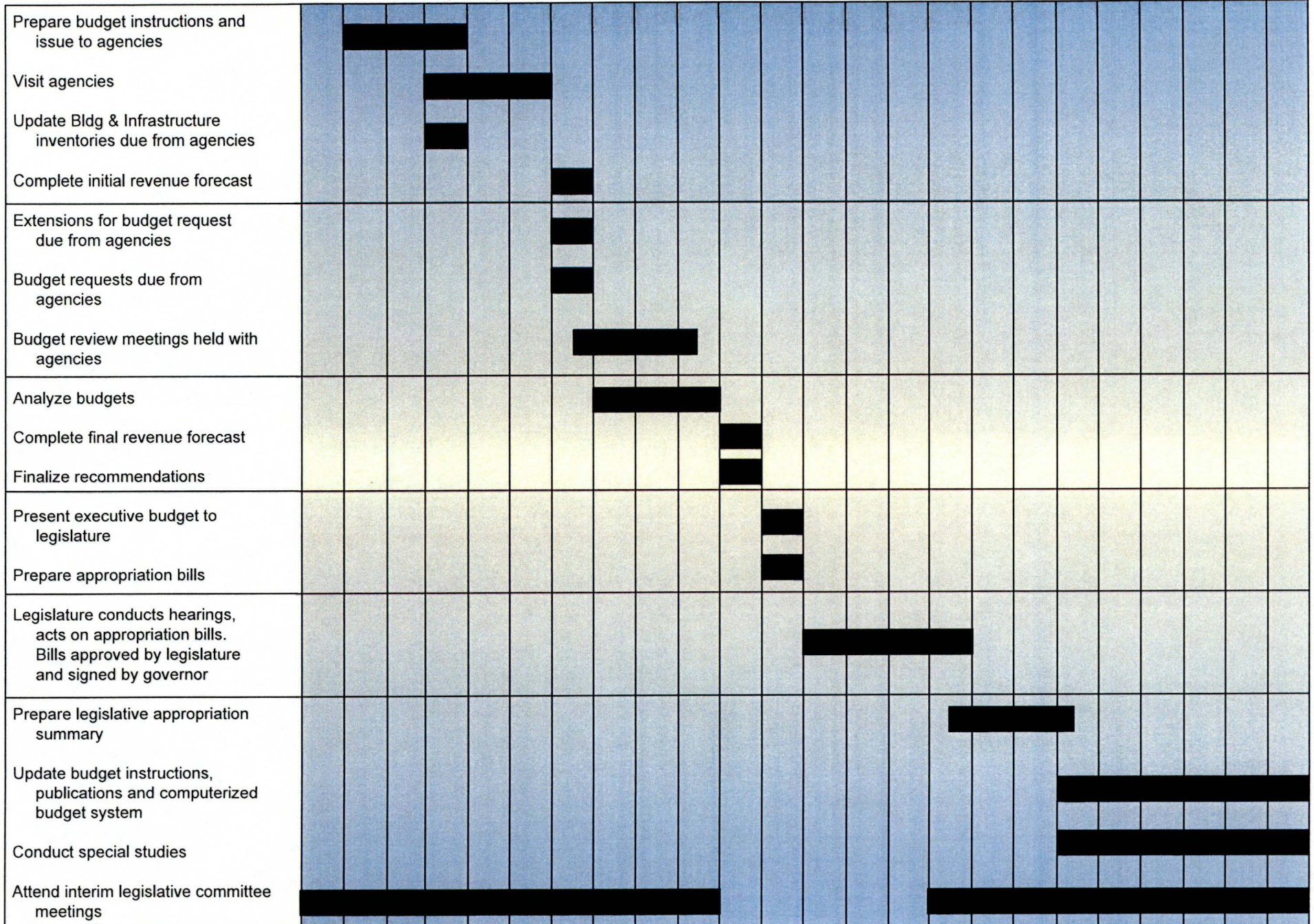
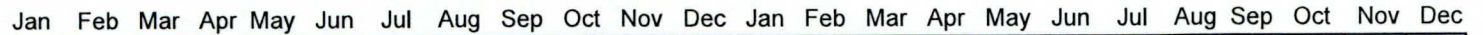
Following the legislative session, the Fiscal Management staff prepares and distributes a publication summarizing the state budget for the upcoming biennium.

Amending the Budget

Once passed, the budget can be amended in one of four ways:

1. The legislature can be called into special session to adopt amendments to the budget.
2. If estimated revenues in a specific fund are insufficient to meet all legislative appropriations from the fund, the Governor can cut budgets of the departments that receive monies from that fund on a uniform percentage basis.
3. The Emergency Commission is authorized by statute to allow agencies to accept additional federal and special funds not anticipated during the budget process, and transfer funds between appropriated line items.
4. The legislature can include provisions in statute to modify appropriations should certain circumstances exist.

Budget Process Timeline



STATE OF NORTH DAKOTA

REVENUE HIGHLIGHTS

STATE OF NORTH DAKOTA COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE 2003-2005 THROUGH 2011-2013

REVENUE SOURCE	ACTUAL 2003-2005	ACTUAL 2005-2007	ACTUAL 2007-2009	REVISED FORECAST 2009-2011	LEGISLATIVE FORECAST 2011-2013
Tax Revenue:					
Sales and Use Taxes	\$717,758,293	\$841,930,866	\$1,046,485,684	\$1,221,799,026	\$1,382,234,660
Motor Vehicle Excise Tax	128,010,103	125,722,268	130,151,534	121,435,899	183,039,167
Individual Income Tax	452,547,326	587,659,377	681,703,888	618,774,335	544,665,667
Corporate Income Tax	102,926,972	232,294,310	239,695,937	183,256,592	126,243,667
Insurance Premium Tax	56,284,535	52,873,010	64,388,601	64,152,315	70,560,000
Financial Institutions Tax	4,958,673	9,702,362	10,486,495	6,330,665	5,041,666
Oil and Gas Production Tax	45,534,044	45,970,447	39,309,315	32,718,333	133,834,000
Oil Extraction Tax	25,465,956	25,029,553	31,690,685	38,281,667	166,166,000
Gaming Tax	20,850,911	17,986,019	20,042,392	16,165,195	9,241,952
Cigarette and Tobacco Tax	39,476,712	44,683,370	45,230,771	44,881,315	43,902,000
Wholesale Liquor Tax	11,889,465	12,787,869	14,076,919	14,884,872	14,934,000
Coal Conversion Tax	47,196,831	49,217,864	49,438,952	38,774,869	35,764,000
Mineral Leasing Fees	11,024,583	13,960,279	25,306,589	16,533,904	17,000,000
Departmental Collections	61,004,537	53,781,397	62,143,185	66,999,654	63,284,446
Interest Income	6,935,015	36,507,217	49,506,190	42,200,448	42,700,000
Total Tax Revenue	\$1,731,863,956	\$2,150,106,208	\$2,509,657,137	\$2,527,189,089	\$2,838,611,225
Transfers:					
Federal Fiscal Relief Payments	\$56,456,581				
Bank of North Dakota Profits Transfer	60,000,000	\$60,000,000	\$60,000,000	\$1,000,000	
Student Loan Trust Fund Interest Transfer	26,258,969	9,000,000	3,100,000		
State Mill Profits Transfer	5,000,000	5,000,000		9,585,457	\$6,650,000
Gas Tax Administration Transfer	1,396,200	1,400,000	1,274,056	1,288,000	1,485,000
Lottery	7,269,005	12,600,000	11,055,000	11,000,000	11,000,000
Other Transfers*	65,153,319	79,310,132	130,177,187	1,086,232,676	600,000,000
Total Transfers	\$221,534,074	\$167,310,132	\$205,606,243	\$1,109,106,133	\$619,135,000
TOTAL REVENUE	\$1,953,398,030	\$2,317,416,340	\$2,715,263,380	\$3,636,295,222	\$3,457,746,225

STATE OF NORTH DAKOTA
COMPARISON OF GENERAL FUND REVENUE BY MAJOR SOURCE
2003-2005 THROUGH 2011-2013

	ACTUAL 2003-2005	ACTUAL 2005-2007	ACTUAL 2007-2009	REVISED FORECAST 2009-2011	LEGISLATIVE FORECAST 2011-2013
* OTHER TRANSFERS INCLUDE:					
Lands & Minerals Trust Fund	\$2,000,000	\$6,800,000	\$15,000,000	\$35,000,000	
Strategic Investment and Improvements Fund					\$305,000,000
Water Development Trust Fund	10,070,373				
Permanent Oil Tax Trust Fund	11,910,000	55,300,000	115,000,000	1,050,112,998	
Property Tax Relief Fund					295,000,000
Bonding Fund	2,800,000				
Health Care Trust Fund	35,911,035	16,900,000			
Miscellaneous Transfers	2,461,911	310,132	177,187	1,119,678	
	<u>\$65,153,319</u>	<u>\$79,310,132</u>	<u>\$130,177,187</u>	<u>\$1,086,232,676</u>	<u>\$600,000,000</u>