

ANALYSIS OF THE BUDGET STABILIZATION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$200,000,000		\$324,936,548
Add revenues				
Transfer from general fund	\$124,936,548 ¹		\$0	
Investment income	0 ²		0 ²	
Total revenues		124,936,548		0
Total available		\$324,936,548		\$324,936,548
Less expenditures and transfers				
None	\$0		\$0 ³	
Total expenditures and transfers		0		0
Ending balance		<u>\$324,936,548</u>		<u>\$324,936,548</u>

¹North Dakota Century Code Chapter 54-27.2 provides that any amount in the general fund at the end of the biennium in excess of \$65 million must be transferred to the budget stabilization fund, except that beginning July 1, 2009, the balance in the budget stabilization fund may not exceed 10 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.

²Interest earned on the fund is deposited in the general fund because the fund is at the maximum allowed under Section 54-27.2-01.

³No transfers from the budget stabilization fund are anticipated.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$324,936,548. During the 2009 legislation session, the budget stabilization fund's market value was \$183.4 million, \$16.6 million less than the original investment of \$200 million. The reduction was the result of investment losses based on the market value of the investments. At this time, the fund's market value has increased and no losses have been realized.

FUND HISTORY

The budget stabilization fund was established by the 1987 Legislative Assembly in House Bill No. 1596. Major provisions include:

- Section 54-27.2-01 establishes the budget stabilization fund and provides that any interest earned on the balance of the budget stabilization fund must be retained in the fund. The section originally provided that any money in the fund in excess of 5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly must be deposited in the state general fund. The 2007 Legislative Assembly approved House Bill No. 1429 which transferred \$100,527,369 from the ending 2005-07 biennium general fund balance into the fund providing a total of \$200 million in the fund. The bill also increased, effective July 1, 2009, the maximum balance allowed in the fund from 5 percent to 10 percent of the general fund budget approved by the most recently adjourned Legislative Assembly.
- Section 54-27.2-02 provides that any amount in the state general fund at the end of the biennium in excess of \$65 million must be transferred to the budget stabilization fund.
- Section 54-27.2-03 provides that the Governor may order a transfer from the budget stabilization fund to the general fund if the director of the Office of Management and Budget projects general fund revenues for the biennium to be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by the Office of Management and Budget. Any transfer made must be reported to the Budget Section.