

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

	2007-09 Biennium		2009-11 Biennium	
Beginning balance		\$200,000,000		\$324,936,548
Add estimated revenues				
Transfer from general fund	\$124,936,548 ^{1,2}		\$0	
Investment income	0 ²		0 ²	
Total estimated revenues		124,936,548		0
Total available		\$324,936,548		\$324,936,548
Less estimated expenditures and transfers				
None				
Total estimated expenditures and transfers		0 ^{2,3}		0 ³
Estimated ending balance		\$324,936,548 ²		\$324,936,548

¹North Dakota Century Code Chapter 54-27.2 provides that any amount in the general fund at the end of a 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.

²**As of March 31, 2009, the budget stabilization fund's market value of investments was \$183.4 million, \$16.6 million less than the original investment value of \$200 million.** The reduction is the result of investment losses based on the current market value of the investments. The Office of Management and Budget does not plan to transfer any additional funds to the budget stabilization fund from the general fund on June 30, 2009, to restore any losses based on the market value of investments. The Office of Management and Budget anticipates holding the investments until maturity which it believes will not result in a loss to the fund over the term of these investments.

³No transfers from the budget stabilization fund are anticipated.

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 a 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.