

**MARCH 12, 2014**

# **Status of the General Fund**

**Presented to  
Budget Section**



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## 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 1.6% in January 2014, slightly above the 2013 annual average of 1.5%. According to *Moody's Analytics*, the CPI is expected to average 1.7% during 2014. Projections indicate the rate will increase to an average of 2.4% for 2015 and stay below 2.5% through the long-term forecast horizon of 2018.

Money Markets – The average yield on a three-month Treasury bill is currently .05%. Rates have remained below 20 basis points since June of 2009 and averaged only .1% for 2013. *Moody's* expects three month T-bill rates to remain low in the near term, averaging .1% for all of 2014, but increasing to above 2.0% by 2016 and more than 3.0% in 2017 and 2018. *Moody's* predicts that the prime rate, which has not gone above 3.3% since 2009, will average 3.3% for 2014 and 3.4% for 2015. Their forecast provides for a sharp increase in the ensuing years, to 6.6% in 2017, and 7.1% in 2018.

Personal Income – Personal income, as reported by *Moody's* in inflation-adjusted 2005 dollars, grew by 1.7% during 2013. *Moody's* predicts personal income growth will average 3.5% during 2014 and 5.2% in 2015. They predict annual growth rates of 4.3% in 2016 gradually decreasing to 2.3% in 2018.

Commodity Prices – Agricultural prices rose by an average of 1.8% during 2013, the result of a 1.2% reduction in crop prices and a 6.2% increase in livestock prices. After a projected decrease of 4.4% in 2014, the outlook provides for moderate levels of growth around 1.5% per year through 2018. 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 \$97.90 in 2013 to between \$103 per barrel in 2014 and \$120 per barrel in 2018.

### Local

Unemployment – North Dakota's non-seasonally adjusted unemployment rate in December 2013 remains the lowest in the nation at only 2.7%. The national average unemployment rate has fallen, but remained at 6.5% in December.

Employment Growth – Nationally, according to State Policy Reports (S/P/R), the employment growth rate from November 2012 to November 2013 was 1.5%. North Dakota's employment growth rate was 4.0%, more than twice the national average.

Personal Income – S/P/R reported that between the third quarters of 2012 and 2013, North Dakota's personal income increased by 6.49%. The national average during the same period was 3.63%.

Energy – The May 2013 legislative forecast is based on oil production increasing from 830,000 barrels per day at the start of the 2013-15 biennium to 850,000 barrels per day by the end of the biennium. North Dakota crude oil prices are estimated to average \$75 per barrel during fiscal year 2014 and \$80 per barrel during fiscal year 2015. The current rig count is 192 rigs, 6 rigs more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	January 2014	December 2013	November 2013
Actual average price per barrel	\$80.85	\$82.65	\$79.27
Production (barrels/day)	935,000	923,200	976,500
Drilling permits	253	227	232
Producing wells	9,995	10,015	10,042
Rig count	188	190	184

Mortgage Rates – Mortgage rates remain low. Thirty-year fixed rate mortgages are available locally for 4.25%. Fifteen-year fixed rates are around 3.125%.

**GENERAL FUND STATUS STATEMENT**  
**2013-15 BIENNIUM**  
*Preliminary* FEBRUARY 28, 2014

Beginning balance:		
Beginning unobligated balance - July 1, 2013	\$1,396,059,186	
Balance obligated for unspent emergency authority	165,874,199	
Balance obligated for authorized carryover of appropriations	<u>89,503,462</u>	
Total beginning balance		\$1,651,436,847
Revenues:		
Revenues collected to date	\$1,971,694,566	
Remaining forecasted revenues	<u>3,622,197,469</u>	
Total revenues		<u>5,593,892,035</u>
Total available		\$7,245,328,882
Expenditures:		
Legislative appropriations - One time	(\$2,433,567,701)	
Legislative appropriations - Ongoing	(4,429,019,653)	
Authorized carryover from previous biennium	(89,503,462)	
2013-15 authority used in 2011-13 pursuant to emergency clause	<u>163,812,041</u>	
Total authorized expenditures		<u>(6,788,278,775)</u>
Estimated ending balance - June 30, 2015		<u><u>\$457,050,107</u></u> <sup>v1</sup>

v1 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.

**SELECTED SPECIAL FUNDS**  
*Preliminary* FEBRUARY 28, 2014 FUND BALANCES

Fund	Balance
Budget stabilization fund	\$583,545,799
Legacy fund	\$1,770,099,322
Foundation aid stabilization fund	\$421,644,404
Property tax relief fund	\$640,986,860
Strategic investment and improvements fund (\$888,280,445 obligated)	\$1,007,886,343

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2013-15 Biennium**  
**Preliminary February 2014**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 Leg. Forecast	Actual	Variance	Percent	May 2013 Leg. Forecast	Actual	Variance	Percent
Sales Tax	103,827,000	87,441,042	(16,385,958)	-15.8%	822,680,000	834,619,567	11,939,567	1.5%
Motor Vehicle Excise Tax	10,726,000	9,761,020	(964,980)	-9.0%	98,528,000	88,865,045	(9,662,955)	-9.8%
Individual Income Tax	17,171,000	4,180,815	(12,990,185)	-75.7%	221,592,000	305,762,506	84,170,506	38.0%
Corporate Income Tax	6,779,000	2,924,520	(3,854,480)	-56.9%	71,672,000	101,478,980	29,806,980	41.6%
Insurance Premium Tax	6,795,890	9,892,733	3,096,843	45.6%	20,317,650	24,563,996	4,246,346	20.9%
Financial Institutions Tax		15,693	15,693	100.0%		(4,901,930)	(4,901,930)	100.0%
Oil & Gas Production Tax*					96,933,188	96,933,188		0.0%
Oil Extraction Tax*					103,066,812	103,066,812		0.0%
Gaming Tax	493,300	502,774	9,474	1.9%	3,121,120	2,649,020	(472,100)	-15.1%
Lottery								
Cigarette & Tobacco Tax	2,098,000	2,145,871	47,871	2.3%	19,636,000	20,191,022	555,022	2.8%
Wholesale Liquor Tax	605,000	633,647	28,647	4.7%	6,178,000	6,210,362	32,362	0.5%
Coal Conversion Tax	1,716,000	1,531,428	(184,572)	-10.8%	11,207,000	10,277,234	(929,766)	-8.3%
Mineral Leasing Fees	791,667	1,030,972	239,305	30.2%	6,333,336	10,045,335	3,711,999	58.6%
Departmental Collections	5,513,328	2,539,827	(2,973,501)	-53.9%	26,876,841	27,665,641	788,800	2.9%
Interest Income	490,390	203,900	(286,490)	-58.4%	4,037,120	1,632,023	(2,405,097)	-59.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000		0.0%
Other Transfers					666,510	845,764	179,254	26.9%
<b>Total Revenues and Transfers</b>	<b>157,006,575</b>	<b>122,804,243</b>	<b>(34,202,332)</b>	<b>-21.8%</b>	<b>1,854,635,577</b>	<b>1,971,694,566</b>	<b>117,058,989</b>	<b>6.3%</b>

\* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in October 2013. Additional oil taxes will flow to the property tax relief fund until that fund receives \$341.8 million, after which time the general fund will receive an additional \$100.0 million. Total production and extraction tax collections were \$250.3 million in February 2014. Monthly allocations to the property tax relief fund were \$73.4 million; allocations to the legacy fund were \$69.6 million.



**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Previous Biennium Revenues**  
**2013-15 Biennium**  
**Preliminary February 2014**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	February <u>2012</u>	February <u>2014</u>	<u>Variance</u>	<u>Percent</u>	<u>2011-13</u>	<u>2013-15</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	80,943,379	87,441,042	6,497,663	8.0%	694,249,091	834,619,567	140,370,476	20.2%
Motor Vehicle Excise Tax	9,540,265	9,761,020	220,755	2.3%	77,089,174	88,865,045	11,775,871	15.3%
Individual Income Tax	18,349,023	4,180,815	(14,168,208)	-77.2%	230,352,179	305,762,506	75,410,326	32.7%
Corporate Income Tax	10,488,162	2,924,520	(7,563,641)	-72.1%	71,726,613	101,478,980	29,752,367	41.5%
Insurance Premium Tax	7,676,470	9,892,733	2,216,263	28.9%	22,950,304	24,563,996	1,613,692	7.0%
Financial Institutions Tax	183,670	15,693	(167,977)	-91.5%	(126,695)	(4,901,930)	(4,775,234)	3769.1%
Oil & Gas Production Tax					99,799,206	96,933,188	(2,866,018)	-2.9%
Oil Extraction Tax					100,200,794	103,066,812	2,866,018	2.9%
Gaming Tax	672,031	502,774	(169,257)	-25.2%	4,251,918	2,649,020	(1,602,898)	-37.7%
Lottery								
Cigarette & Tobacco Tax	2,001,978	2,145,871	143,894	7.2%	17,786,235	20,191,022	2,404,787	13.5%
Wholesale Liquor Tax	565,410	633,647	68,238	12.1%	5,551,593	6,210,362	658,769	11.9%
Coal Conversion Tax	1,087,761	1,531,428	443,666	40.8%	11,339,995	10,277,234	(1,062,761)	-9.4%
Mineral Leasing Fees	2,047,002	1,030,972	(1,016,030)	-49.6%	28,695,243	10,045,335	(18,649,908)	-65.0%
Departmental Collections	5,110,379	2,539,827	(2,570,552)	-50.3%	26,327,913	27,665,641	1,337,728	5.1%
Interest Income	465,385	203,900	(261,485)	-56.2%	3,837,104	1,632,023	(2,205,081)	-57.5%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	3		(3)	-100.0%	569,606	845,764	276,159	48.5%
<b>Total Revenues and Transfers</b>	<b>139,130,917</b>	<b>122,804,243</b>	<b>(16,326,675)</b>	<b>-11.7%</b>	<b>1,689,600,274</b>	<b>1,971,694,566</b>	<b>282,094,291</b>	<b>16.7%</b>

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