



Status of the General Fund

Presented to the

Budget Section

March 3, 2016



Pam Sharp
Director of OMB

ECONOMIC INDICATORS

March 2016

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 1.4% in January 2016, well above the January 2015 12-month change of - .10%. According to *Moody's Analytics*, the CPI is expected to change by 1.3% during 2016. Projections indicate the rate will increase to an average of 3.1% for 2017, gradually decreasing to 2.5% through the long-term forecast horizon of 2020.

Money Markets – The average yield on a three-month Treasury bill is currently .30%. Rates had remained below 20 basis points since June of 2009. *Moody's* expects three month T-bill rates to remain low in the near term, averaging .4% for all of 2016, but increasing to 1.5% in 2017 and more than 3.0% in 2018 and 2019. *Moody's* predicts that the prime rate, which has not gone above 3.3% since 2009, will average 3.9% for 2016 and 5.6% for 2017. Their forecast provides for a steady increase in the ensuing years, to over 6.5% in 2018, 2019, and 2020.

Personal Income – Personal income, as reported by *Moody's* in inflation-adjusted 2005 dollars, grew by 4.2% during 2015. *Moody's* predicts personal income growth will average 3.2% during 2016 and 3.4% in 2017. They predict annual growth rates of 3.5% in 2018 gradually decreasing to 1.6% in 2020.

Commodity Prices – Agricultural prices decreased by an average of 8.3 % during 2015, the result of a 6.2% reduction in crop prices and a 12.2% decrease in livestock prices. After a projected decrease of 7.4% in 2016, the *Moody's* outlook provides for a 1.5% increase in 2017 and moderate levels of growth over 1.0% per year through 2020. The outlook for West Texas Intermediate crude, the benchmark oil forecast for *Moody's Analytics*, is for the average price per barrel to drop from \$48.70 in 2015 to \$42.40 in 2016. *Moody's* predicts the 2017 price to average \$59.70 and then continue to increase to between \$67.70 per barrel in 2018 to \$75.90 per barrel in 2020.

Local

Unemployment – North Dakota's non-seasonally adjusted unemployment rate in December 2015 remains among the lowest in the nation at only 2.8%. The national average unemployment rate remained the same at 4.8% in December.

Employment Growth – Nationally, according to State Policy Reports (S/P/R), the employment growth rate from November 2014 to November 2015 was 1.7%. North Dakota's employment growth rate decreased by 2.90% during that same time period.

Personal Income – S/P/R reported that between the third quarters of 2014 and 2015, North Dakota's personal income had a negative growth by 2.40%. The national average during the same period grew by 4.6%.

Energy – The January 2016 revised forecast was based on oil production averaging 1 million barrels per day for the remainder of the first year of the 2015-17 biennium decreasing to 900,000 barrels per day by the end of the second year. North Dakota crude oil prices were estimated to average \$26 per barrel for the remainder of the first year of the biennium and \$32 per barrel in the second year. The current rig count is 35 rigs, 85 rigs less than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	December 2015	November 2015	October 2015
Actual average price per barrel	\$29.95	\$36.20	\$39.09
Production (barrels/day)	1,152,280	1,181,787	1,171,119
Drilling permits	95	125	152
Producing wells	13,119	13,100	13,190
Rig count	64	64	65

Mortgage Rates – Mortgage rates remain low. Thirty-year fixed rate mortgages are available locally for 3.50%. Fifteen-year fixed rates are around 2.75%.

2015-17 BIENNIUM OIL REVENUES

Distributions from Gross Production and Extraction Taxes

Revised January 2016

Comparison to 2015 Legislative Forecast

TAX TYPE	2015 Legislative Forecast	January 2016 Revised Forecast ¹	Increase (Decrease) from 2015 Forecast
Political subdivisions	\$630,487,015	\$478,072,790	(\$152,414,225)
Three Affiliated Tribes	265,075,756	188,328,172	(76,747,584)
Legacy fund	950,597,208	683,387,883	(267,209,325)
Foundation aid stabilization fund	134,229,638	106,682,653	(27,546,985)
Common schools trust fund	134,229,638	106,682,653	(27,546,985)
Resources trust fund	264,259,277	209,298,480	(54,960,797)
Renewable energy development fund	3,000,000	3,000,000	
Energy conservation grant fund	1,200,000	1,066,827	(133,173)
Oil and gas research fund	10,000,000	10,000,000	
Oil and gas impact fund	140,000,000	28,619,538	(111,380,462)
North Dakota outdoor heritage fund	27,015,471	13,398,878	(13,616,593)
Abandoned well and site reclamation fund	10,000,000	7,024,545	(2,975,455)
General fund	300,000,000	300,000,000	
Tax relief fund	300,000,000	300,000,000	
State disaster relief fund	16,422,400		(16,422,400)
Political subdivision allocation fund	44,165,014		(44,165,014)
Strategic investment and improvements fund	203,051,700	30,725,900	(172,325,800)
TOTAL REVENUES	\$3,433,733,116	\$2,466,288,319	(\$967,444,797)

¹ The January 2016 revised forecast reflects actual revenue collections through January 31, 2016.

2015-17 BIENNIUM GENERAL FUND REVENUES REVISED JANUARY 2016

Comparison to 2015 Legislative Forecast

TAX TYPE	2015 Legislative	January 2016	Increase (Decrease)
	Forecast	Revised Forecast ^{/1}	from 2015 Forecast
Sales and use taxes	\$2,868,026,560	\$2,124,321,000	(\$743,705,560)
Motor vehicle excise tax	314,324,000	230,737,000	(83,587,000)
Individual income tax	763,276,000	708,999,000	(54,277,000)
Corporate income tax	371,422,000	169,176,000	(202,246,000)
Insurance premium tax	91,830,364	95,052,926	3,222,562
Financial institutions tax		244,614	244,614
Oil and gas gross production tax	102,881,583	102,881,583	
Oil extraction tax	197,118,417	197,118,417	
Gaming tax	7,106,250	6,876,668	(229,582)
Lottery	15,260,000	15,260,000	
Cigarette and tobacco tax	61,334,000	61,221,051	(112,949)
Wholesale liquor tax	18,995,000	19,015,136	20,136
Coal conversion tax	39,578,000	41,362,796	1,784,796
Mineral leasing fees	19,667,704	23,093,212	3,425,508
Departmental collections	73,883,318	75,039,079	1,155,761
Interest income	20,999,500	21,044,668	45,168
State Mill profits - Transfer	13,775,000	13,775,000	
Major special funds - Transfer	657,000,000	657,000,000	
Other transfers	2,030,496	2,095,700	65,204
TOTAL REVENUES AND TRANSFERS	\$5,638,508,192	\$4,564,313,850	(\$1,074,194,342)

^{/1} The January 2016 revised forecast reflects actual revenue collections through December 31, 2015.

Budget Shortfall Summary

General Fund Revenue Shortfall	\$ 1,074,194,342
June 30, 2017 Ending Balance	\$ 331,733,100
General Fund Allotment of 4.05%	244,869,588
Budget Stabilization Fund	497,591,654
	<hr/>
	\$ 1,074,194,342

Pursuant to NDCC 54-44.1-12, NDDPI will receive a transfer of \$ 71,758,143 from the Foundation Aid Stabilization Fund to cover State School Aid, Transportation and Special Education Payments

**GENERAL FUND STATUS STATEMENT
2015-17 BIENNIUM
AS OF JANUARY 31, 2016**

Beginning balance:		
Beginning unobligated balance - July 1, 2015	\$729,529,389	
Balance obligated for authorized carryover of appropriations	<u>147,653,143</u>	
 Total beginning balance		 \$877,182,532
Revenues:		
Revenues collected to date	\$1,845,102,983	
Remaining forecasted revenues - revised January 2016	<u>2,717,796,400</u>	
 Total revenues		 <u>4,562,899,383</u>
 Total available		 \$5,440,081,915
Expenditures:		
Legislative appropriations - One time	(\$1,173,663,758)	
Legislative appropriations - Ongoing	(4,852,498,920)	
4.05% allotment (Executive Branch only)	239,120,391	
DOT contingent appropriation	(20,000,000)	
Authorized carryover from previous biennium	(147,653,143)	
2015-17 authority used in 2013-15 pursuant to emergency clause	<u>9,858,196</u>	
 Total authorized expenditures		 <u>(5,944,837,234)</u>
 Estimated ending balance before transfer to budget stabilization		 (504,755,319)
 Transfer from budget stabilization fund		 497,591,655
Intended turnback:		
Legislative Assembly		643,357
Legislative Council		544,285
Supreme Court		4,561,555
 Estimated ending balance - June 30, 2017		 <u><u>(\$1,414,467)</u></u>

**SELECTED SPECIAL FUNDS
JANUARY 31, 2016 FUND BALANCES**

Fund	Balance
Budget stabilization fund (before \$497,591,655 transfer to the general fund)	\$572,485,453
Legacy fund	\$3,558,301,978
Foundation aid stabilization fund (before \$71,758,143 transfer to Dept. of Public Instruction)	\$656,276,591
Tax relief fund	\$0
Strategic investment and improvements fund (\$265,965,793 committed)	\$373,002,444

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the January 2016 Revised Forecast ^{/1}
2015-17 Biennium
January 2016

Revenues and Transfers	Fiscal Month			Biennium To Date				
	January 2016 Rev. Forecast	Actual	Variance	Percent	January 2016 Rev. Forecast /1	Actual	Variance	Percent
Sales Tax	87,526,003	85,878,746	(1,647,257)	-1.9%	607,365,000	605,717,743	(1,647,257)	-0.3%
Motor Vehicle Excise Tax	9,524,393	8,444,901	(1,079,492)	-11.3%	67,654,000	66,574,508	(1,079,492)	-1.6%
Individual Income Tax	29,816,817	28,679,893	(1,136,924)	-3.8%	189,667,000	188,530,076	(1,136,924)	-0.6%
Corporate Income Tax	17,245,015	17,129,577	(115,438)	-0.7%	34,957,000	34,841,562	(115,438)	-0.3%
Insurance Premium Tax	60,130	172,970	112,840	187.7%	17,783,482	17,896,322	112,840	0.6%
Financial Institutions Tax		8,749	8,749	100.0%	244,614	253,363	8,749	-100.0%
Oil & Gas Production Tax*	4,469,070	4,469,070			83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	295,960	297,657	1,697	0.6%	1,911,108	1,912,804	1,697	0.1%
Lottery								
Cigarette & Tobacco Tax	2,654,000	2,263,155	(390,845)	-14.7%	18,446,051	18,055,206	(390,845)	-2.1%
Wholesale Liquor Tax	799,000	858,440	59,440	7.4%	5,547,136	5,606,576	59,440	1.1%
Coal Conversion Tax	1,585,000	1,848,697	263,697	16.6%	11,365,796	11,629,493	263,697	2.3%
Mineral Leasing Fees	819,488	1,155,844	336,356	41.0%	9,161,924	9,498,281	336,356	3.7%
Departmental Collections	6,454,341	8,661,397	2,207,056	34.2%	23,033,555	25,240,611	2,207,056	9.6%
Interest Income	227,434	183,160	(44,274)	-19.5%	1,554,144	1,509,871	(44,274)	-2.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	263,739	9,927	3.9%	826,640	836,567	9,927	1.2%
Total Revenues and Transfers	161,730,463	160,315,995	(1,414,469)	-0.9%	1,846,517,451	1,845,102,983	(1,414,468)	-0.1%

^{/1} The January 2016 revised revenue forecast includes actual revenues through December 31, 2015, and revised estimates for the remainder of the biennium.

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

Fiscal Irregularities

Nov and Dec 2015, Jan 2016

Retroactive Pay

Jan 2016

701 Historical Society

Kerry Finsaas

\$ 1,200.00

Three months of temporary workload increase to manage Ft. Buford Historic Site due to illness of site supervisor.

Severance Pay

Nov 2015 and Jan 2016

380 Job Service North Dakota

\$ 296,975.40

Severance pay for 41 employees due to reductions in federal funding.

Report on Federal Grants Per NDCC 54-27-27

March 3, 2016

Grant Applications

Agency	Time Period of Grant	Amount of Grant Requested
ND Housing Finance	Eff. 2016	\$3,000,000

Timeline for 2017-19 Executive Budget

April	Governor releases budget guidelines to agencies
July, August	Preliminary revenue forecast is prepared
July 15	Budget requests due from agencies (unless granted an extension)
August to mid-October	Budget meetings with agencies
November	Executive revenue forecast is prepared
December 7	Executive budget presented to Legislature at organizational session
Budget System Changes:	None
Changes to Budget Data:	See next page

54-44.1-04. Budget estimates of budget units filed with the office of the budget - Deadline.

The head of each budget unit, not later than July fifteenth of each year next preceding the session of the legislative assembly, shall submit to the office of the budget, estimates of financial requirements of the person's budget unit for the next two fiscal years, on the forms and in the manner prescribed by the office of the budget, with such explanatory data as is required by the office of the budget and such additional data as the head of the budget unit wishes to submit. The estimates of financial requirements for budget units under the control of the state board of higher education must be made using the same forms, supporting information, and documentation as other budget units.

54-44.1-06. Preparation of the budget data - Contents.

The director of the budget, through the office of the budget, shall prepare budget data which must contain and include the following:

4. Detailed comparative statements of expenditures and requests for appropriations by funds, budget units and classification of expenditures, showing the expenditures for the previous biennium, the first fiscal year of the present biennium, the budget of the current biennium, and the governor's recommendation for appropriations for each budget unit for the next biennium, all distributed according to the prescribed classification of expenditures. Following the lists of actual and proposed expenditures of each budget unit there must be a brief explanation of the functions of the unit and comments on its policies and plans and on any considerable differences among the amounts recommended, with any descriptive, quantitative, comparative, and other data as to work done, unit costs, and like information as may be considered necessary or desirable. For capital outlay expenditures involving construction projects to be completed in two or more fiscal years, there must be shown the total estimated cost of each such project and the amount thereof recommended to be appropriated and expended in each ensuing fiscal year until completion of the project. Capital outlay needs may be projected for at least two years beyond the period covered by the budget. The detailed comparative statements of budget units under the control of the state board of higher education must include the same information presented for other budget units.