

North Dakota REV-E-NEWS



Pam Sharp, Director

December 2011

**OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

MESSAGE FROM THE DIRECTOR

North Dakota Labor Market Continues to Lead the Nation!

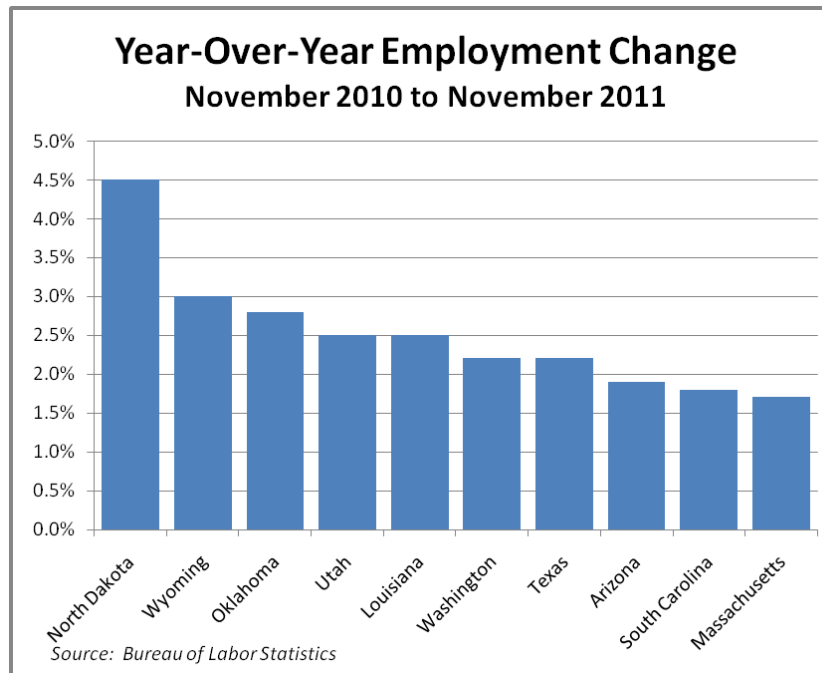
A December 2011 *News Release* from the Bureau of Labor Statistics shows that despite the phenomenal growth in North Dakota's labor market in recent years, growth continues at a pace that leads the nation. Many states are also seeing improvements in their labor markets, with declining unemployment rates and growing employment. However, for most states, recent improvements are only modest gains. The national unemployment rate was 8.6 percent in November, still high, but down .4 percentage point from the previous month and down 1.2 percent from the previous year.

The Bureau of Labor Statistics (BLS) reports that in November 2011, "Forty-five states registered unemployment rate decreases from a year earlier, while five states and the District of Columbia experienced increases.... Nevada continued to record the highest unemployment rate among the states, 13.0 percent in November. California posted the next highest rate, 11.3 percent. North Dakota again registered the lowest jobless rate, 3.4 percent, followed by Nebraska, 4.1 percent, and South Dakota, 4.3 percent."

The BLS also reports that during the past twelve months, "nonfarm em-

ployment increased in 45 states and the District of Columbia and decreased in 5 states. The largest over-the-year percentage increase occurred in North Dakota (+4.5 percent), followed by Wyoming (+3.0 percent) and Oklahoma (+2.8 percent)."

BLS data indicate the ten states depicted below experienced the largest gain in employment from November 2010 to November 2011:



OIL ACTIVITY



The 2011-13 biennium legislative forecast is based on oil production increasing from 390,000 barrels per day at the start of the 2011-13 biennium to 425,000 barrels per day by the end of the biennium. North Dakota crude oil prices are forecasted to range from \$72 per barrel to \$75 per barrel during that time. Currently, the posted price for North Dakota sweet crude is around \$84 per barrel. The current rig count is 199 rigs, 34 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Oct 2011	Sept 2011	August 2011
Actual average price per barrel	\$81.89	\$81.38	\$80.71
Production (barrels/day)	488,100	463,900	446,100
Drilling permits	169	176	207
Producing wells	6,202	6,071	5,951
Rig count	197	197	192

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2011-13 Biennium
November 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	68,531,000	86,368,149	17,837,149	26.0%	304,127,000	419,111,028	114,984,028	37.8%
Motor Vehicle Excise Tax	6,324,000	9,027,159	2,703,159	42.7%	35,599,000	45,860,987	10,261,987	28.8%
Individual Income Tax	11,697,000	9,651,952	(2,045,048)	-17.5%	99,237,000	127,225,835	27,988,835	28.2%
Corporate Income Tax	1,274,000	2,595,090	1,321,090	103.7%	7,082,000	14,392,787	7,310,787	103.2%
Insurance Premium Tax	6,500,000	8,821,710	2,321,710	35.7%	10,000,000	14,779,364	4,779,364	47.8%
Financial Institutions Tax		9,184	9,184	100.0%		104,732	104,732	100.0%
Oil & Gas Production Tax*	10,654,000	17,010,375	6,356,375	59.7%	64,618,000	77,363,528	12,745,528	19.7%
Oil Extraction Tax*	17,266,000	17,860,052	594,052	3.4%	77,239,000	84,503,065	7,264,065	9.4%
Gaming Tax	699,078	532,937	(166,141)	-23.8%	2,320,191	2,969,357	649,166	28.0%
Lottery								
Cigarette & Tobacco Tax	1,832,000	2,366,121	534,121	29.2%	9,717,000	11,511,026	1,794,026	18.5%
Wholesale Liquor Tax	609,000	773,078	164,078	26.9%	3,155,000	3,562,152	407,152	12.9%
Coal Conversion Tax	1,536,000	1,626,220	90,220	5.9%	6,089,000	6,930,252	841,252	13.8%
Mineral Leasing Fees	1,416,667	1,941,389	524,722	37.0%	4,958,335	25,686,138	20,727,803	418.0%
Departmental Collections	1,943,824	2,106,679	162,855	8.4%	11,703,574	11,272,470	(431,104)	-3.7%
Interest Income	900,000	495,248	(404,752)	-45.0%	3,950,000	2,392,612	(1,557,388)	-39.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		9,388	9,388	100.0%	371,250	380,633	9,383	2.5%
Total Revenues and Transfers	131,182,569	161,194,730	30,012,161	22.9%	935,166,350	1,143,045,966	207,879,616	22.2%

* In addition to the oil and gas tax collections reflected on this report, through November 30, 2011, \$100.2 million has been deposited in the legacy fund.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2011-13 Biennium
November 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November 2009	November 2011	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	51,997,948	86,368,149	34,370,201	66.1%	237,019,374	419,111,028	182,091,653	76.8%
Motor Vehicle Excise Tax	3,468,975	9,027,159	5,558,184	160.2%	21,817,127	45,860,987	24,043,859	110.2%
Individual Income Tax	15,867,194	9,651,952	(6,215,242)	-39.2%	115,942,786	127,225,835	11,283,048	9.7%
Corporate Income Tax	2,369,583	2,595,090	225,507	9.5%	16,138,591	14,392,787	(1,745,804)	-10.8%
Insurance Premium Tax	4,737,031	8,821,710	4,084,679	86.2%	7,238,735	14,779,364	7,540,629	104.2%
Financial Institutions Tax	(84,498)	9,184	93,682	-110.9%	(938,891)	104,732	1,043,623	-111.2%
Oil & Gas Production Tax*		17,010,375	17,010,375	100.0%	32,718,333	77,363,528	44,645,195	136.5%
Oil Extraction Tax*	4,189,072	17,860,052	13,670,979	326.3%	38,281,667	84,503,065	46,221,398	120.7%
Gaming Tax	1,224,641	532,937	(691,704)	-56.5%	4,064,497	2,969,357	(1,095,140)	-26.9%
Lottery								
Cigarette & Tobacco Tax	1,852,437	2,366,121	513,684	27.7%	9,946,873	11,511,026	1,564,153	15.7%
Wholesale Liquor Tax	654,390	773,078	118,688	18.1%	3,211,069	3,562,152	351,084	10.9%
Coal Conversion Tax	1,825,955	1,626,220	(199,736)	-10.9%	7,827,149	6,930,252	(896,897)	-11.5%
Mineral Leasing Fees	1,155,229	1,941,389	786,161	68.1%	2,913,840	25,686,138	22,772,298	781.5%
Departmental Collections	2,432,682	2,106,679	(326,004)	-13.4%	10,202,604	11,272,470	1,069,866	10.5%
Interest Income	928,463	495,248	(433,215)	-46.7%	4,504,848	2,392,612	(2,112,237)	-46.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	23,750	9,388	(14,363)	-60.5%	535,065	380,633	(154,432)	-28.9%
Total Revenues and Transfers	92,642,854	161,194,730	68,551,876	74.0%	806,423,668	1,143,045,966	336,622,298	41.7%

* In addition to the oil and gas tax collections reflected on this report, through November 30, 2011, \$100.2 million has been deposited in the legacy fund.

VARIANCES

November 2011 revenues are \$161.2 million, exceeding the forecast by \$30.0 million for the month. The biennium to date variance as of November 30, 2011, is \$207.9 million, or 22.2 percent. Significant variances are as follows:

- **Sales tax** collections total \$86.4 million in November, the fourth consecutive month with revenues in excess of \$80.0 million. November collections exceed the forecast by \$17.8 million for the month and by \$115.0 million for the biennium to date. Compared to the first five months of the previous biennium, sales tax collections are \$182.0 million, or 76.8 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$2.7 million for the month. Comparison to the 2009-11 biennium is difficult due to legislatively authorized changes in the allocation of motor vehicle excise taxes. For 2009-11, only 75.0 percent of the tax was allocated to the general fund, but for 2011-13, 100.0 percent of the tax is allocated to the general fund. Adjusting for this change in allocation, 2011-13 collections are \$16.8 million higher.
- **Individual income tax** collections fell short of the forecast by \$2.0 million for the month, but exceed the biennium to date forecast by \$28.0 million. The current month shortfall is likely timing-related, offsetting a portion of the \$14.2 million positive variance realized last month. Despite rate reductions enacted by the 2011 legislature, collections are growing on a year-over-year basis. This increase in collections is primarily attributable to income growth. However, a portion of the variance is likely related to over-withholding as employers and taxpayers filing quarterly estimated tax payments are slow to adjust to lowered tax rates. Overpayments will be recognized when 2011 tax returns are filed in 2012, at which time any required refunds will be paid.
- **Corporate income tax** collections, which fluctuate based on economic activity at both the state and national level, exceed the monthly forecast by \$1.3 million and exceed the biennium to date forecast by over \$7.3 million.
- **Insurance premium tax** collections, which are based on a percentage of premiums collected by insurance companies operating in the state, exceed the monthly forecast by \$2.3 million and the biennium to date forecast by \$4.8 million.
- **Oil and gas taxes** deposited in the general fund are limited to \$300.0 million for the entire biennium. Due to higher than estimated price and production levels, oil tax collections exceed the forecast by \$7.0 million for the month and \$20.0 million for the biennium to date. If price and production remain above projections, the result will be additional revenue collections for the state and political subdivisions. However, because the general fund share is capped, the current general fund variance will be offset later in the biennium.
- **Mineral leasing fees** are received from the federal government for leasing mineral rights and extracting minerals on federal lands located within the state. These state revenues are shared equally with the counties in which the minerals are located. Revenues are volatile and fluctuate based on price, activity, and the timing of bonuses paid for the leasing of mineral rights. November collections exceed the forecast by \$525,000 for the month; the biennium to date variance is \$20.7 million.

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