

North Dakota REV-E-NEWS



Pam Sharp, Director

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**OFFICE OF MANAGEMENT AND BUDGET
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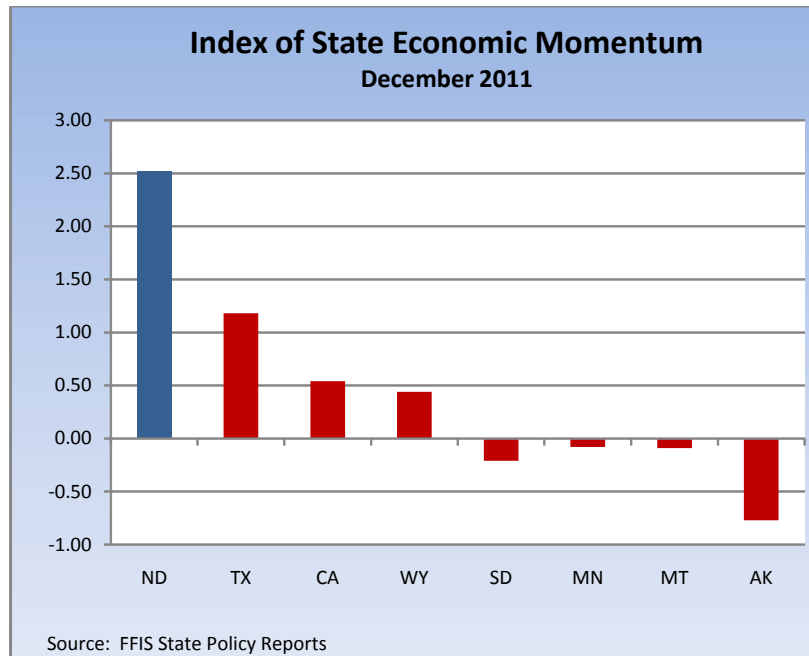
MESSAGE FROM THE DIRECTOR

Federal Funds Information for States (FFIS), in its December 2011 issue of *State Policy Reports*, issued an updated ranking of the economic vitality of states. This ranking, updated quarterly by FFIS, is known as the Index of State Economic Momentum. The index “ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth....Measures of the three components are averaged, and the national average is set at zero. Each state’s score is then expressed as a percentage above or below the national average.”

North Dakota maintained its first place ranking and it is easy to see why as the individual components of the index are examined. **North Dakota ranked first in personal income growth** from third quarter 2010 to third quarter 2011. Personal income grew 7.7 percent in North Dakota compared to a national average of 4.1 percent. **North Dakota also ranked first in terms of employment growth.** From November 2010 to November 2011, employment in North Dakota grew 4.5 percent, compared to a national average of only 1.2 percent. **North Dakota ranked third in terms of**

percentage population growth from July 2010 to July 2011. At 1.4 percent, North Dakota’s growth rate doubled the national average of .7 percent.

These individual measures are aggregated into an overall index, which clearly shows North Dakota outperforming both its neighboring Midwestern states and its oil-producing counterparts, such as Texas, California, and Alaska. The following chart shows selected states and their index score.



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 \$88 per barrel. The current rig count is 197 rigs, 26 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Dec 2011	Nov 2011	Oct 2011
Actual average price per barrel	\$87.98	\$90.36	\$81.89
Production (barrels/day)	534,900	519,600	487,700
Drilling permits	180	169	201
Producing wells	6,471	6,332	6,210
Rig count	199	199	197

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS *Compared to the Legislative Forecast* 2011-13 Biennium January 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	69,007,000	117,554,970	48,547,970	70.4%	416,095,000	613,305,712	197,210,712	47.4%
Motor Vehicle Excise Tax	7,535,000	11,248,409	3,713,409	49.3%	49,579,000	67,548,909	17,969,909	36.2%
Individual Income Tax	40,699,000	67,120,198	26,421,198	64.9%	147,248,000	212,003,156	64,755,156	44.0%
Corporate Income Tax	4,350,000	6,479,402	2,129,402	49.0%	24,142,000	61,238,452	37,096,452	153.7%
Insurance Premium Tax	100,000	61,930	(38,070)	-38.1%	11,600,000	15,273,835	3,673,835	31.7%
Financial Institutions Tax		1,356	1,356	100.0%		(310,365)	(310,365)	-100.0%
Oil & Gas Production Tax*	11,789,000		(11,789,000)	-100.0%	89,237,000	99,799,206	10,562,206	11.8%
Oil Extraction Tax*	15,869,000		(15,869,000)	-100.0%	110,763,000	100,200,794	(10,562,206)	-9.5%
Gaming Tax	289,148	579,271	290,123	100.3%	2,614,260	3,579,887	965,627	36.9%
Lottery								
Cigarette & Tobacco Tax	1,931,000	2,200,422	269,422	14.0%	13,502,000	15,784,257	2,282,257	16.9%
Wholesale Liquor Tax	637,000	758,559	121,559	19.1%	4,450,000	4,986,183	536,183	12.0%
Coal Conversion Tax	1,384,000	1,533,601	149,601	10.8%	8,973,000	10,252,233	1,279,233	14.3%
Mineral Leasing Fees	1,416,667	2,057,006	640,339	45.2%	5,666,669	26,648,241	20,981,572	370.3%
Departmental Collections	6,268,391	7,284,355	1,015,964	16.2%	21,106,610	21,217,534	110,924	0.5%
Interest Income	985,000	498,135	(486,865)	-49.4%	5,865,000	3,371,719	(2,493,281)	-42.5%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	185,625	188,968	3,343	1.8%	556,875	569,602	12,727	2.3%
Total Revenues and Transfers	162,445,831	217,566,582	55,120,751	33.9%	1,206,398,414	1,550,469,357	344,070,943	28.5%

* Oil and gas production and extraction tax collections totaled \$150.0 million in January. Through January, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$50.5 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through January, \$176.8 million has been deposited into the legacy fund.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2011-13 Biennium January 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January 2010	January 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	44,850,649	117,554,970	72,704,321	162.1%	324,184,925	613,305,712	289,120,787	89.2%
Motor Vehicle Excise Tax	3,886,044	11,248,409	7,362,365	189.5%	30,054,042	67,548,909	37,494,867	124.8%
Individual Income Tax	47,293,147	67,120,198	19,827,051	41.9%	173,378,144	212,003,156	38,625,013	22.3%
Corporate Income Tax	8,704,526	6,479,402	(2,225,124)	-25.6%	36,293,735	61,238,452	24,944,717	68.7%
Insurance Premium Tax	82,219	61,930	(20,288)	-24.7%	8,920,934	15,273,835	6,352,900	71.2%
Financial Institutions Tax	(4,335)	1,356	5,691	-131.3%	(989,269)	(310,365)	678,903	-68.6%
Oil & Gas Production Tax*					32,718,333	99,799,206	67,080,873	205.0%
Oil Extraction Tax*					38,281,667	100,200,794	61,919,127	161.7%
Gaming Tax	506,528	579,271	72,743	14.4%	4,579,646	3,579,887	(999,759)	-21.8%
Lottery								
Cigarette & Tobacco Tax	1,998,919	2,200,422	201,503	10.1%	13,756,358	15,784,257	2,027,899	14.7%
Wholesale Liquor Tax	652,233	758,559	106,326	16.3%	4,441,513	4,986,183	544,670	12.3%
Coal Conversion Tax	2,087,688	1,533,601	(554,088)	-26.5%	11,962,840	10,252,233	(1,710,606)	-14.3%
Mineral Leasing Fees	(9,633,194)	2,057,006	11,690,200	-121.4%	4,005,256	26,648,241	22,642,985	565.3%
Departmental Collections	7,911,441	7,284,355	(627,086)	-7.9%	20,032,268	21,217,534	1,185,266	5.9%
Interest Income	907,358	498,135	(409,223)	-45.1%	6,289,081	3,371,719	(2,917,362)	-46.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	938,829	188,968	(749,861)	-79.9%	1,474,494	569,602	(904,891)	-61.4%
Total Revenues and Transfers	110,182,052	217,566,582	107,384,530	97.5%	1,004,383,968	1,550,469,357	546,085,389	54.4%

* Oil and gas production and extraction tax collections totaled \$150.0 million in January. Through January, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$50.5 million have been deposited in the property tax relief sustainability fund. Once property tax relief sustainability fund deposits total \$341.8 million, an additional \$100.0 million will be deposited into the general fund. Through January, \$176.8 million has been deposited into the legacy fund.

VARIANCES

January 2012 revenues are \$217.6 million, which exceeds the forecast by \$55.1 million for the month. The biennium to date variance as of January 31, 2012, is \$344.1 million, or 28.5 percent. Significant variances are as follows:

- **Sales tax** collections total a record setting \$117.6 million in January, \$48.5 million more than estimated. January sales tax collections are based on December sales, indicating strong consumer spending during the Christmas season in North Dakota. The biennium to date variance from the forecast is \$197.2 million. Compared to the first seven months of the previous biennium, sales tax collections are \$289.1 million, or 89.2 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.7 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 \$27.4 million higher.
- **Individual income tax** collections again exceeded the forecast. January collections exceed the forecast by \$26.4 million, bringing the biennium to date variance to \$64.8 million, or 44.0 percent. A portion of this 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 \$2.1 million and exceed the biennium to date forecast by \$37.1 million.
- **Oil and gas taxes** deposited in the general fund are limited to \$300.0 million for the entire biennium -- an initial \$200.0 million, then an additional \$100.0 million after the property tax relief sustainability fund reaches its cap. The forecast assumed the initial \$200.0 million cap would not be reached until January. However, due to higher than estimated price and production levels, the cap was reached in December. Consequently, January revenues anticipated to be deposited into the general fund were instead deposited into the property tax relief sustainability fund, resulting in a \$27.7 million general fund shortfall for the month.
- **Departmental collections** are comprised of various service and permit fees collected by state agencies. The revenue forecast is based on the cumulative estimates provided by all state agencies. Timing issues commonly result in monthly variances from the forecast. January collections exceed the forecast by \$1.0 million. However, biennium to date collections are tracking closely to the forecast with a cumulative variance of only .5 percent.