

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**April 2012**

**OFFICE OF MANAGEMENT AND BUDGET  
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## MESSAGE FROM THE DIRECTOR

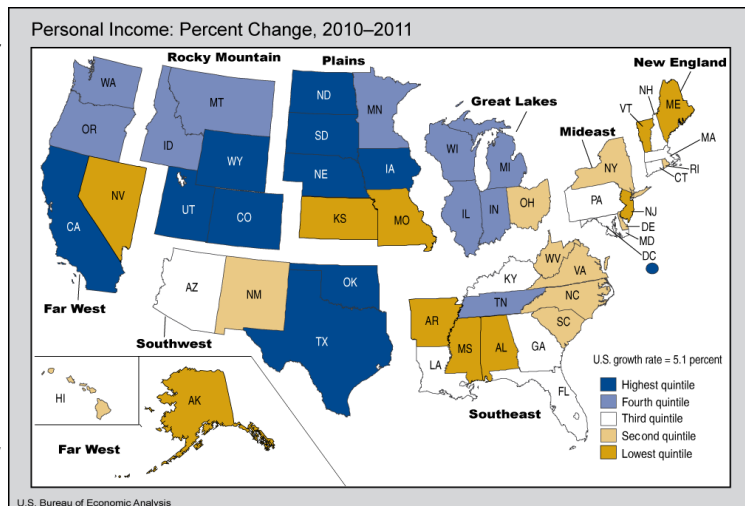
On March 28, 2012, the U.S. Bureau of Economic Analysis (BEA) released its latest state personal income statistics. The report shows good news for most states as personal income rose by an average of 5.1 percent in 2011, compared to only 3.7 percent the year before. Personal income is defined by the BEA as “the income received by all persons from all sources...the sum of net earnings by place of residence, property income, and personal current transfer receipts.” North Dakota ranked first in the nation, with growth of 8.1 percent. Most states in the region fared better than the national average, but all fell far short of North Dakota. Personal income growth rates were 6.2 percent in South Dakota, 5.9 percent in Nebraska, 5.1 percent in Minnesota, 5.1 percent in Montana, and 5.9 percent in Wyoming.

North Dakota also ranked first in the nation in per capita personal income. Per capita personal income is personal income divided by population. Per capita personal income grew 6.7 percent in North Dakota, compared to a national average of 4.3 percent. The lowest growth rate in the nation was reported in Alaska, with per capita personal income growth of only 2.9 percent. North Dakota ranked third in the nation in terms of population growth with 1.4 percent, double the national average of .7 percent.

Earnings, a component of personal income, also grew the fastest in North Dakota. From 2010 to 2011, earnings grew by 9.5 percent in North Dakota, more than

double the national average of 4.4 percent. The BEA reported that earnings have “recovered their pre-recession levels and reached new peaks in 45 states.” Earnings are categorized by the BEA by industry sector. The variance between earnings in North Dakota and the national average is phenomenal when considered by sector. For example, earnings from mining grew 70.0 percent in North Dakota compared to 25.4 percent nationally. Earnings from construction grew 19.3 percent in North Dakota compared to only 1.2 percent nationally. Earnings from the transportation sector grew 30.7 percent in North Dakota compared to 4.9 percent nationally.

The map below shows the percent change in personal income by state.



## 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 \$79 per barrel. The current rig count is 206 rigs, 32 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Feb 2012	Jan 2012	Dec 2011
Actual average price per barrel	\$89.05	\$88.77	\$87.98
Production (barrels/day)	558,300	546,300	535,000
Drilling permits	181	170	180
Producing wells	6,726	6,624	6,471
Rig count	202	200	199

Comments or Questions?

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## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium March 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	37,453,000	66,966,285	29,513,285	78.8%	513,140,000	761,215,376	248,075,376	48.3%
Motor Vehicle Excise Tax	7,678,000	10,818,472	3,140,472	40.9%	63,456,000	87,907,646	24,451,646	38.5%
Individual Income Tax	7,568,000	12,664,603	5,096,603	67.3%	162,261,000	243,016,782	80,755,782	49.8%
Corporate Income Tax	7,153,000	13,802,328	6,649,328	93.0%	33,090,000	85,528,941	52,438,941	158.5%
Insurance Premium Tax	9,000,000	5,483,594	(3,516,406)	-39.1%	25,100,000	28,433,899	3,333,899	13.3%
Financial Institutions Tax	771,000	1,952,416	1,181,416	153.2%	860,000	1,825,721	965,721	112.3%
Oil & Gas Production Tax*					89,237,000	99,799,206	10,562,206	11.8%
Oil Extraction Tax*					110,763,000	100,200,794	(10,562,206)	-9.5%
Gaming Tax	16,689	39,375	22,686	135.9%	3,395,761	4,291,293	895,532	26.4%
Lottery								
Cigarette & Tobacco Tax	1,484,000	1,976,137	492,137	33.2%	16,601,000	19,762,373	3,161,373	19.0%
Wholesale Liquor Tax	530,000	680,808	150,808	28.5%	5,464,000	6,232,401	768,401	14.1%
Coal Conversion Tax	1,538,000	1,684,212	146,212	9.5%	12,036,000	13,024,207	988,207	8.2%
Mineral Leasing Fees	(708,333)	(9,024,099)	(8,315,766)	-1174.0%	6,375,003	19,671,144	13,296,141	208.6%
Departmental Collections	1,721,880	2,821,738	1,099,858	63.9%	24,745,196	29,149,652	4,404,456	17.8%
Interest Income	985,000	467,561	(517,439)	-52.5%	7,835,000	4,304,666	(3,530,334)	-45.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		9,675	9,675	100.0%	556,875	579,281	22,406	4.0%
<b>Total Revenues and Transfers</b>	<b>75,190,236</b>	<b>110,343,104</b>	<b>35,152,868</b>	<b>46.8%</b>	<b>1,369,915,835</b>	<b>1,799,943,378</b>	<b>430,027,543</b>	<b>31.4%</b>

\* Oil and gas production and extraction tax collections totaled \$150.0 million in March. Through March, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$156.5 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 March, \$264.9 million has been deposited into the legacy fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	March 2010	March 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	44,769,074	66,966,285	22,197,211	49.6%	412,827,100	761,215,376	348,388,275	84.4%
Motor Vehicle Excise Tax	4,958,140	10,818,472	5,860,332	118.2%	39,004,507	87,907,646	48,903,139	125.4%
Individual Income Tax	5,981,515	12,664,603	6,683,088	111.7%	193,543,529	243,016,782	49,473,254	25.6%
Corporate Income Tax	12,544,458	13,802,328	1,257,870	10.0%	50,568,182	85,528,941	34,960,760	69.1%
Insurance Premium Tax	10,009,802	5,483,594	(4,526,208)	-45.2%	22,572,912	28,433,899	5,860,987	26.0%
Financial Institutions Tax	1,100,381	1,952,416	852,035	77.4%	375,507	1,825,721	1,450,213	386.2%
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	29,236	39,375	10,139	34.7%	5,948,675	4,291,293	(1,657,382)	-27.9%
Lottery								
Cigarette & Tobacco Tax	1,424,610	1,976,137	551,527	38.7%	16,784,347	19,762,373	2,978,026	17.7%
Wholesale Liquor Tax	518,016	680,808	162,791	31.4%	5,461,667	6,232,401	770,734	14.1%
Coal Conversion Tax	1,579,121	1,684,212	105,092	6.7%	14,916,610	13,024,207	(1,892,403)	-12.7%
Mineral Leasing Fees	(413,542)	(9,024,099)	(8,610,557)	-2082.1%	5,005,837	19,671,144	14,665,306	293.0%
Departmental Collections	5,259,859	2,821,738	(2,438,121)	-46.4%	27,048,908	29,149,652	2,100,744	7.8%
Interest Income	815,412	467,561	(347,851)	-42.7%	7,833,692	4,304,666	(3,529,026)	-45.0%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	122,111	9,675	(112,436)	-92.1%	1,602,688	579,281	(1,023,408)	-63.9%
<b>Total Revenues and Transfers</b>	<b>88,698,192</b>	<b>110,343,104</b>	<b>21,644,912</b>	<b>24.4%</b>	<b>1,169,494,160</b>	<b>1,799,943,378</b>	<b>630,449,218</b>	<b>53.9%</b>

\* Oil and gas production and extraction tax collections totaled \$150.0 million in March. Through March, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$156.5 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 March, \$264.9 million has been deposited into the legacy fund.

## VARIANCES

March 2012 revenues are \$110.3 million, which exceeds the forecast by \$35.2 million for the month. The biennium to date variance as of March 31, 2012, is \$430.0 million, or 31.4 percent. Significant variances are as follows:

- **Sales tax** collections total \$67.0 million in March, \$29.5 million more than estimated. The biennium to date variance from the forecast is \$248.1 million, or 48.3 percent. Compared to the first nine months of the previous biennium, sales tax collections are \$348.4 million, or 84.4 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.1 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 \$35.9 million higher.
- **Individual income tax** collections again exceed the forecast. March collections are \$5.1 million higher than estimated, bringing the biennium to date variance to \$80.8 million, or 49.8 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 \$6.6 million and exceed the biennium to date forecast by \$52.4 million.
- **Insurance premium tax** collections, which are based on a percentage of insurance premiums paid, are \$3.5 million lower than estimated for the month, indicating that the \$3.2 million positive variance realized in February was related to timing. The biennium to date variance is a positive \$3.3 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.
- **Mineral leasing fees** are received from the federal government for leasing mineral rights and extracting minerals on federal lands located within the state. These revenues are shared equally with the counties in which the minerals are located through a quarterly distribution, reflected on this report as a negative amount. The county share of a \$20.4 million payment received in the third quarter of 2011 was distributed in March. Biennium to date revenues continue to exceed the forecast by \$13.3 million.
- **Departmental collections** are comprised of various service fees, permit fees, and taxes collected by state agencies. The revenue forecast is based on the cumulative estimates provided by all state agencies. March collections exceed the forecast by \$1.1 million, primarily the result of higher than anticipated rebates through the state procurement card program. Rebates are based on usage volume and are deposited into the general fund.

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