

North Dakota REV-E-NEWS



Pam Sharp, Director

May 2012

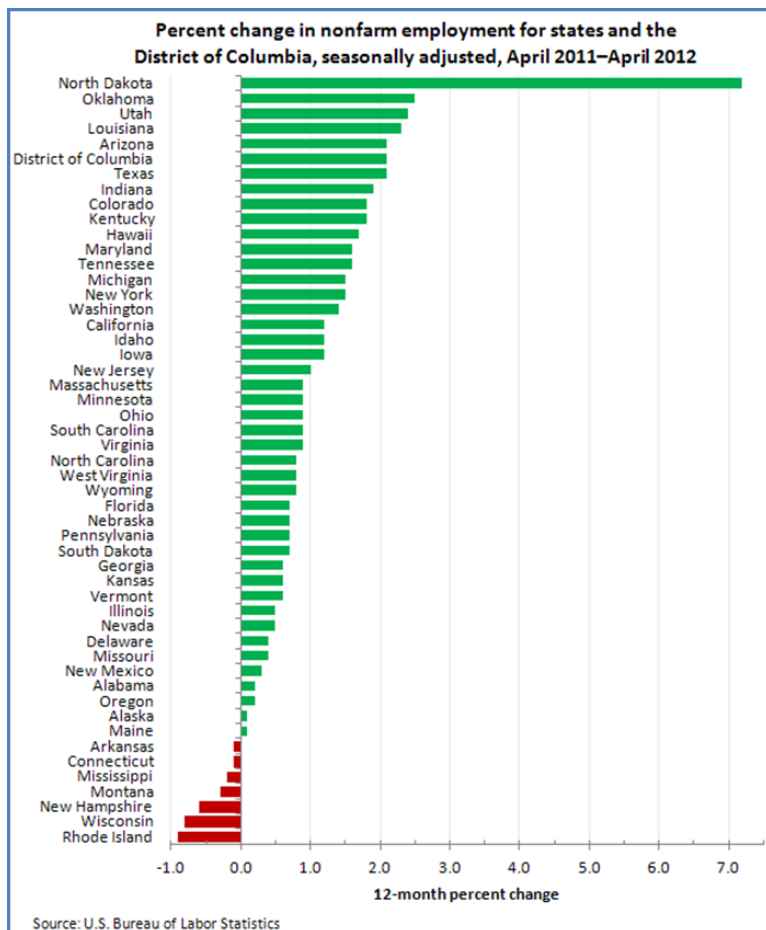
**OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

MESSAGE FROM THE DIRECTOR

The Bureau of Labor Statistics reported in its April 2012 report, *Regional and State Employment and Unemployment*, that “regional and state unemployment rates were little changed in April.” This was true in North Dakota where we continue to lead the nation with the lowest unemployment rate of any state. In April, the national average unemployment rate was 8.1 percent, down just a tenth of a percent from the previous month. In North Dakota, the April unemployment rate was unchanged from March, but continues to be nearly one-third the national rate at only 3.0 percent.

As the national economy improves, nonfarm employment has increased in most states. Since April 2011, 43 states and the District of Columbia experienced gains in employment. Decreases were modest and occurred in only seven states. So, although the percentage change in employment tells a positive story for most states, North Dakota stands out in a striking way, as shown on the chart below. The annual percentage change in nonfarm employment in North Dakota was an astounding 7.2 percent, nearly three times the rate of growth in second ranked Oklahoma. In fact, of the 43 states that showed growth, only six

others experienced growth rates of more than 2.0 percent.



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 \$75 per barrel. The current rig count is 214 rigs, 36 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Mar 2012	Feb 2012	Jan 2012
Actual average price per barrel	\$84.73	\$89.05	\$88.77
Production (barrels/day)	575,500	558,600	546,300
Drilling permits	181	168	170
Producing wells	6,921	6,726	6,624
Rig count	205	202	200

Comments or Questions?
Contact

Pam Sharp, Director
Phone: 701-328-2680
Fax : 701-328-3230
E-mail:

psharp@nd.gov

Visit the North Dakota web site

www.nd.gov

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium April 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	53,273,000	96,061,775	42,788,775	80.3%	566,413,000	857,277,150	290,864,150	51.4%
Motor Vehicle Excise Tax	8,266,000	11,259,601	2,993,601	36.2%	71,722,000	99,167,247	27,445,247	38.3%
Individual Income Tax	77,668,000	151,583,085	73,915,085	95.2%	239,929,000	394,599,867	154,670,867	64.5%
Corporate Income Tax	11,652,000	67,158,508	55,506,508	476.4%	44,742,000	152,687,449	107,945,449	241.3%
Insurance Premium Tax	150,000	(134,820)	(284,820)	-189.9%	25,250,000	28,299,079	3,049,079	12.1%
Financial Institutions Tax	1,404,000	2,078,574	674,574	48.0%	2,264,000	3,904,295	1,640,295	72.5%
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	490,567	601,389	110,822	22.6%	3,886,328	4,892,681	1,006,353	25.9%
Lottery								
Cigarette & Tobacco Tax	1,771,000	2,088,962	317,962	18.0%	18,372,000	21,851,335	3,479,335	18.9%
Wholesale Liquor Tax	607,000	662,625	55,625	9.2%	6,071,000	6,895,025	824,025	13.6%
Coal Conversion Tax	1,406,000	1,515,348	109,348	7.8%	13,442,000	14,539,555	1,097,555	8.2%
Mineral Leasing Fees	1,416,667	5,709,455	4,292,788	303.0%	7,791,670	25,380,599	17,588,929	225.7%
Departmental Collections	2,126,076	1,911,808	(214,268)	-10.1%	26,871,272	31,061,459	4,190,187	15.6%
Interest Income	985,000	453,170	(531,830)	-54.0%	8,820,000	4,757,835	(4,062,165)	-46.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	185,625	185,625	0	0.0%	742,500	764,906	22,406	3.0%
Total Revenues and Transfers	161,400,935	341,135,104	179,734,169	111.4%	1,531,316,770	2,141,078,483	609,761,713	39.8%

* Oil and gas production and extraction tax collections totaled \$157.4 million in April. Through April, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$207.1 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 April, \$307.1 million has been deposited into the legacy fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2010	April 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	47,318,660	96,061,775	48,743,115	103.0%	460,145,760	857,277,150	397,131,390	86.3%
Motor Vehicle Excise Tax	5,901,844	11,259,601	5,357,757	90.8%	44,906,351	99,167,247	54,260,896	120.8%
Individual Income Tax	85,451,448	151,583,085	66,131,637	77.4%	278,994,976	394,599,867	115,604,891	41.4%
Corporate Income Tax	12,448,948	67,158,508	54,709,559	439.5%	63,017,130	152,687,449	89,670,319	142.3%
Insurance Premium Tax	130,950	(134,820)	(265,769)	-203.0%	22,703,861	28,299,079	5,595,218	24.6%
Financial Institutions Tax	2,406,056	2,078,574	(327,482)	-13.6%	2,781,564	3,904,295	1,122,731	40.4%
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	859,372	601,389	(257,984)	-30.0%	6,808,047	4,892,681	(1,915,366)	-28.1%
Lottery								
Cigarette & Tobacco Tax	1,820,692	2,088,962	268,270	14.7%	18,605,039	21,851,335	3,246,296	17.4%
Wholesale Liquor Tax	632,962	662,625	29,663	4.7%	6,094,629	6,895,025	800,397	13.1%
Coal Conversion Tax	1,435,695	1,515,348	79,653	5.5%	16,352,305	14,539,555	(1,812,750)	-11.1%
Mineral Leasing Fees	1,501,302	5,709,455	4,208,153	280.3%	6,507,140	25,380,599	18,873,459	290.0%
Departmental Collections	1,605,257	1,911,808	306,550	19.1%	28,654,165	31,061,459	2,407,294	8.4%
Interest Income	711,815	453,170	(258,645)	-36.3%	8,545,506	4,757,835	(3,787,671)	-44.3%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	161,000	185,625	24,625	15.3%	1,763,688	764,906	(998,783)	-56.6%
Total Revenues and Transfers	162,386,001	341,135,104	178,749,103	110.1%	1,331,880,161	2,141,078,483	809,198,321	60.8%

* Oil and gas production and extraction tax collections totaled \$157.4 million in April. Through April, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$207.1 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 April, \$307.1 million has been deposited into the legacy fund.

VARIANCES

April 2012 revenues are \$341.1 million, which exceeds the forecast by \$179.7 million for the month. The biennium to date variance as of April 30, 2012, is \$609.8 million, or 39.8 percent. Significant variances are as follows:

- **Sales tax** collections total \$96.1 million in April, \$42.8 million more than estimated. The biennium to date variance from the forecast is \$290.9 million, or 51.4 percent. Compared to the first ten months of the previous biennium, sales tax collections are \$397.1 million, or 86.3 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.0 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 \$39.3 million higher.
- **Individual income tax** collections exceed the forecast by \$73.9 million, nearly double the amount anticipated. Although individual income tax collections have continually exceeded projections so far this biennium, there was concern that a portion of the variance was related to over-withholding as employers and taxpayers filing quarterly estimated tax payments were slow to adjust to lowered tax rates. Any overpayments were recognized when 2011 tax returns were filed in April. The April variance relates to wage and income growth during 2011 as well as estimated payments for 2012.
- **Corporate income tax** collections, which fluctuate based on economic activity at both the state and national level, exceed the monthly forecast by \$55.5 million – collections were \$67.2 million compared to estimates of only \$11.7 million. Biennium to date collections exceed the forecast by \$107.9 million.
- **Insurance premium tax** collections, which are based on a percentage of insurance premiums paid, fell short of projections for the month but still exceed the biennium to date forecast by \$3.0 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. Collections for the month are \$5.7 million, \$4.3 million higher than estimated.

OFFICE OF MANAGEMENT AND BUDGET
 600 EAST BOULEVARD AVE — DEPT. 110
 BISMARCK, ND 58505-0400
<http://www.nd.gov/fiscal> or www.nd.gov/omb