

North Dakota REV-E-NEWS



Pam Sharp, Director

June 2012

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

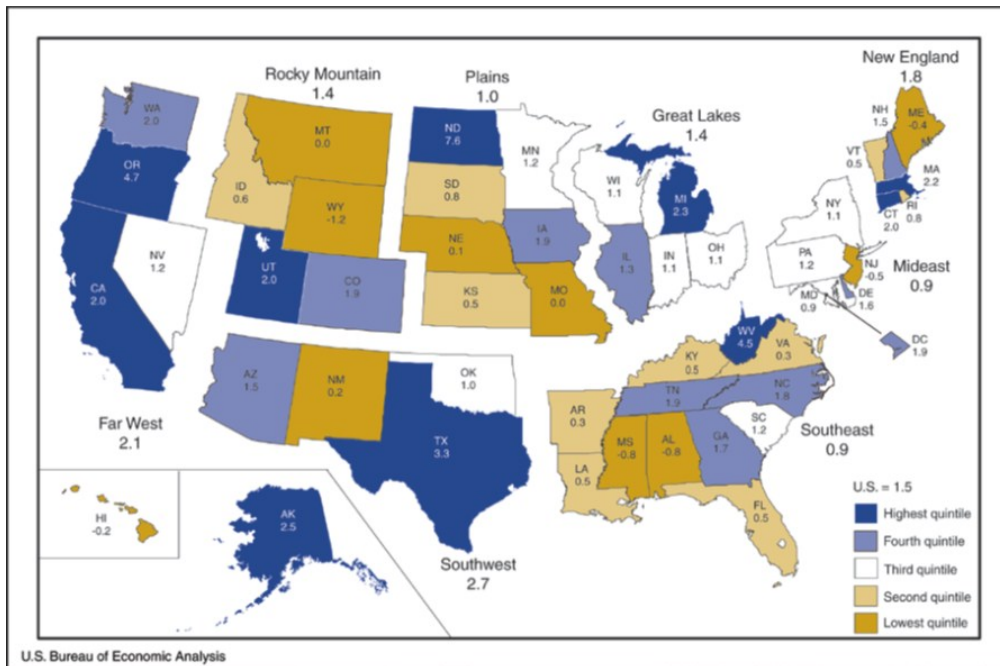
MESSAGE FROM THE DIRECTOR

Real gross domestic product (GDP) is an inflation-adjusted measure of each state's production, wherever it is sold. According to the U.S. Bureau of Economic Analysis (BEA), as reported in a June 5, 2012 news release, GDP increased in 43 states and the District of Columbia during 2011. Although widespread growth is a positive indicator for the nation's economy, the average growth rate for all states was a very modest 1.5 percent. Growth in 2010 averaged 3.1 percent.

North Dakota not only led the nation in terms of GDP growth, at 7.6 percent the state's rate of growth was over five times the national average. In the plains region, the rate of growth averaged only 1.0 percent with Iowa at 1.9 percent,

Kansas at .5 percent, Minnesota at 1.2 percent, Nebraska at .1 percent, and South Dakota at .8 percent.

A diverse group made up the top five states. Following North Dakota was Oregon at 4.7 percent, West Virginia at 4.5 percent, Texas at 3.3 percent, and Alaska at 2.5 percent.



OIL ACTIVITY



The 2011-13 biennium legislative revenue 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 \$72 per barrel. The current rig count is 214 rigs, 41 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Apr 2012	Mar 2012	Feb 2012
Actual average price per barrel	\$83.92	\$84.73	\$89.05
Production (barrels/day)	609,400	577,500	558,600
Drilling permits	167	181	168
Producing wells	7,025	6,932	6,726
Rig count	209	205	202

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2011-13 Biennium
May 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	57,941,000	95,344,914	37,403,914	64.6%	624,354,000	952,622,064	328,268,064	52.6%
Motor Vehicle Excise Tax	9,126,000	12,346,669	3,220,669	35.3%	80,848,000	111,513,916	30,665,916	37.9%
Individual Income Tax	12,711,000	9,576,328	(3,134,672)	-24.7%	252,640,000	404,176,195	151,536,195	60.0%
Corporate Income Tax	2,187,000	6,939,203	4,752,203	217.3%	46,929,000	159,626,651	112,697,651	240.1%
Insurance Premium Tax	8,000,000	7,153,490	(846,510)	-10.6%	33,250,000	35,452,569	2,202,569	6.6%
Financial Institutions Tax	6,000	(96,119)	(102,119)	-1702.0%	2,270,000	3,808,176	1,538,176	67.8%
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	643,545	782,055	138,510	21.5%	4,529,873	5,674,736	1,144,863	25.3%
Lottery								
Cigarette & Tobacco Tax	1,850,000	2,197,244	347,244	18.8%	20,222,000	24,048,579	3,826,579	18.9%
Wholesale Liquor Tax	634,000	783,082	149,082	23.5%	6,705,000	7,678,107	973,107	14.5%
Coal Conversion Tax	1,494,000	1,732,298	238,298	16.0%	14,936,000	16,271,852	1,335,852	8.9%
Mineral Leasing Fees	1,416,667	2,336,963	920,296	65.0%	9,208,337	27,717,562	18,509,225	201.0%
Departmental Collections	1,923,782	1,287,734	(636,048)	-33.1%	28,795,054	32,349,193	3,554,139	12.3%
Interest Income	985,000	440,055	(544,945)	-55.3%	9,805,000	5,197,890	(4,607,110)	-47.0%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		581	581	100.0%	742,500	765,487	22,987	3.1%
Total Revenues and Transfers	98,917,994	140,824,497	41,906,503	42.4%	1,630,234,764	2,281,902,979	651,668,215	40.0%

* Oil and gas production and extraction tax collections totaled \$156.9 million in May. Through May, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$261.8 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 May, \$352.0 million has been deposited into the legacy fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2010	May 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	35,788,881	95,344,914	59,556,033	166.4%	495,934,641	952,622,064	456,687,423	92.1%
Motor Vehicle Excise Tax	5,335,964	12,346,669	7,010,704	131.4%	50,242,316	111,513,916	61,271,600	122.0%
Individual Income Tax	6,503,106	9,576,328	3,073,222	47.3%	285,498,083	404,176,195	118,678,113	41.6%
Corporate Income Tax	2,787,817	6,939,203	4,151,385	148.9%	65,804,947	159,626,651	93,821,704	142.6%
Insurance Premium Tax	7,077,557	7,153,490	75,933	1.1%	29,781,418	35,452,569	5,671,151	19.0%
Financial Institutions Tax	19,777	(96,119)	(115,896)	-586.0%	2,801,341	3,808,176	1,006,835	35.9%
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	1,127,359	782,055	(345,304)	-30.6%	7,935,405	5,674,736	(2,260,669)	-28.5%
Lottery								
Cigarette & Tobacco Tax	2,034,724	2,197,244	162,520	8.0%	20,639,763	24,048,579	3,408,816	16.5%
Wholesale Liquor Tax	622,761	783,082	160,322	25.7%	6,717,389	7,678,107	960,718	14.3%
Coal Conversion Tax	1,551,988	1,732,298	180,309	11.6%	17,904,293	16,271,852	(1,632,441)	-9.1%
Mineral Leasing Fees	1,531,276	2,336,963	805,688	52.6%	8,038,416	27,717,562	19,679,147	244.8%
Departmental Collections	1,974,503	1,287,734	(686,769)	-34.8%	30,628,668	32,349,193	1,720,526	5.6%
Interest Income	12,095,227	440,055	(11,655,173)	-96.4%	20,640,734	5,197,890	(15,442,844)	-74.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers		581	581	100.0%	1,763,688	765,487	(998,201)	-56.6%
Total Revenues and Transfers	78,450,940	140,824,497	62,373,557	79.5%	1,410,331,101	2,281,902,979	871,571,878	61.8%

* Oil and gas production and extraction tax collections totaled \$156.9 million in May. Through May, oil tax collections totaling \$200.0 million have been deposited in the general fund and \$261.8 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 May, \$352.0 million has been deposited into the legacy fund.

VARIANCES

May 2012 revenues of \$140.8 million, exceed the forecast by \$41.9 million for the month. The biennium to date variance as of May 31, 2012, is \$651.7 million, or 40.0 percent. Significant variances are as follows:

- **Sales tax** collections total \$95.3 million in May, \$37.4 million more than estimated. The biennium to date variance from the forecast is \$328.3 million, or 52.6 percent. Compared to the first eleven months of the previous biennium, sales tax collections are \$456.7 million, or 92.1 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.2 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 \$44.6 million higher.
- **Individual income tax** collections fell short of the forecast by \$3.1 million for the month, but exceed the forecast by \$151.5 million biennium to date.
- **Corporate income tax** collections exceed the monthly forecast by \$4.8 million, bringing the biennium to date variance to 112.7 million – more than 240.0 percent above forecast.
- **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 \$2.2 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.
- **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 \$2.3 million, \$920,000 higher than estimated.